



MOHOKARE
LOCAL MUNICIPALITY

2012/2013

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2013

MOHOKARE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

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MOHOKARE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

GENERAL INFORMATION

SPEAKER

M.A. Shasha

MEMBERS OF COUNCIL

Speaker	M.A. Shasha	
Chief Whip	R.J. Thuhlo	
Councillors:	O.T. Khasake	L. Lekhula
	S. Pokane	E.T. Backward
	M.J. Sehanka	B.S. Majenge
	M.A. Letele	I.S. Riddle
	I. Mehlomakhu	

GRADING OF THE LOCAL AUTHORITY

Grade 2

AUDITORS

External –	Auditor General	Internal –	Internal Unit
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PRIMARY BANKER

ABSA Bank

REGISTERED OFFICE

Civic Center
Hoofd Street
Zastron
9950

PO Box 20
Zastron
9950

Telephone: (051) 673-9600

Facsimile: (051) 673-1550
E-Mail: info@mohokare.gov.za
Website: <http://www.mohokare.gov.za>

MUNICIPAL MANAGER

T.C. Panyani

CHIEF FINANCIAL OFFICER

J.V. Nkosi (Until July 2013)
P. Dyonase (Acting from July 2013)

MOHOKARE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

GENERAL INFORMATION (continued)

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 7 to 96, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

These Annual Financial Statements will be presented to the Council for information during September 2013.

TC PANYANI
MUNICIPAL MANAGER
31 August 2013

P Dyonase
ACTING CHIEF FINANCIAL OFFICER
31 August 2013

MOHOKARE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

MEMBERS OF THE COUNCIL

COUNCILLORS

O T Khasake	ANC
L Lekhula	ANC
S Pokane	DA
E T Backward	ANC
R J Thuhlo	ANC
M J Sehanka	ANC
B S Majenge	ANC
M A Letele	ANC
I S Riddle	DA
I Mehlomakulu	ANC
A M Shasha	ANC

MOHOKARE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

MEMBERS OF THE COUNCIL (continued)

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

TC PANYANI
MUNICIPAL MANAGER
31 August 2013

Mohokare Local Municipality
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

		Actual	
	Note	2013 R	2012 R
ASSETS			
Current Assets		20 258 164	19 304 557
Inventories - Consumables	2	665 573	626 830
Inventories - Erven held for transfer	3	4 215 670	4 215 670
Receivables from Exchange Transactions	4	2 093 867	671 345
Receivables from Non-exchange Transactions	5	785 370	360
Sundry debtors		1 435 888	1 094 130
VAT Receivable	6	10 786 930	12 407 627
Cash and Cash Equivalents	7	274 866	288 595
Non-Current Assets		334 216 313	325 772 827
Property, Plant and Equipment	8	312 648 091	304 019 081
Intangible Assets	9	534 123	534 123
Investment Property	10	20 519 205	20 519 205
Biological Assets	11	326 970	554 480
Non-current Investments	12	187 924	145 938
Total Assets		354 474 477	345 077 384
LIABILITIES			
Current Liabilities		40 850 871	33 377 356
Consumer Deposits	13	213 657	164 837
Payables	14	21 386 685	17 544 263
Unspent Conditional Grants and Receipts	15	18 602 343	12 080 659
Bank Overdraft	7	374 609	3 085 214
Current Portion of Long-term Liabilities	16	273 575	502 383
Non-Current Liabilities		32 974 456	29 058 422
Long-term Liabilities	16	10 883 186	12 008 478
Non-current Provisions	17	22 091 270	17 049 945
Total Liabilities		73 825 327	62 435 780
Total Assets and Liabilities		280 649 150	282 641 604
NET ASSETS		280 649 150	282 641 604
Accumulated Surplus / (Deficit)	18	280 649 150	282 641 604
Total Net Assets		280 649 150	282 641 604

Mohokare Local Municipality

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

		Actual	
	Note	2013 R	2012 R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	19	6 047 454	5 412 839
Fines		59 316	157 143
Gains on Fair Value adjustments		41 987	76 404
Licences and Permits		-	439
Government Grants and Subsidies Received	20	94 776 059	75 357 043
Donations Received	21	1 802 434	-
Revenue from Exchange Transactions			
Service Charges	22	42 163 796	35 847 242
Rental of Facilities and Equipment	23	456 395	663 136
Interest Earned - External Investments	24	116 230	140 677
Interest Earned - Outstanding Debtors	24	298 460	273 209
Dividends Received		8 316	2 962
Other Income	25	1 705 708	567 172
Total Revenue		147 476 153	118 498 266
EXPENDITURE			
Employee Related Costs	26	40 601 441	35 362 981
Remuneration of Councillors	27	2 844 699	2 599 729
Depreciation and Amortisation	28	21 694 049	21 365 405
Impairment Losses	29	5 328 507	31 110 414
Repairs and Maintenance		3 037 847	1 702 805
Finance Costs	30	6 165 651	2 080 323
Bulk Purchases	31	18 119 395	14 212 147
Contracted Services	32	6 159 031	5 419 859
Grants and Subsidies Paid	33	16 793 135	1 091 381
General Expenses	34	28 342 351	20 744 353
Loss on Disposal of Property, Plant and Equipment		382 505	131 102
Total Expenditure		149 468 612	135 820 500
SURPLUS / (DEFICIT) FOR THE YEAR		(1 992 459)	(17 322 234)

Refer to Appendix E(1) for explanation of budget variances

Mohokare Local Municipality
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

Description	Accumulated Surplus / (Deficit)	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R	R
2012			
Balance at 30 June 2011	303 217 866	303 217 866	303 217 866
Surplus / (Deficit) for the year	(17 322 234)	(17 322 234)	(17 322 234)
Balance at 30 June 2012	285 895 632	285 895 632	285 895 632
Correction of Error (Note 35)	(3 254 023)	(3 254 023)	(3 254 023)
Restated balance at 30 June 2012	282 641 609	282 641 609	282 641 609
2013			
Surplus/(Deficit) for the year	(1 992 459)	(1 992 459)	(1 992 459)
Balance at 30 June 2013	280 649 150	280 649 150	280 649 150

Details on the movement of the Funds and Reserves are set out in Note 35.

Mohokare Local Municipality
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

		Actual	
		2013	2012
		R	R
CASH FLOWS FROM OPERATING ACTIVITIES	Note		
Receipts			
Cash receipts from Ratepayers, Government and Other		141 924 400	126 562 317
Interest Received		414 691	413 886
Payments			
Cash paid to suppliers and Employees		(101 399 778)	(110 208 287)
Interest Paid		(6 165 651)	(2 080 323)
NET CASH FLOWS FROM OPERATING ACTIVITIES	38	<u>34 773 662</u>	<u>14 687 593</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	8	(30 722 691)	(20 098 952)
Proceeds on Disposal of Property, Plant and Equipment		-	5
Decrease / (Increase) in Non-current Investments		-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>(30 722 691)</u>	<u>(20 098 947)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings		(1 354 096)	4 167 528
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>(1 354 096)</u>	<u>4 167 528</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>2 696 875</u>	<u>(1 243 826)</u>
Cash and Cash Equivalents at Beginning of Period		(2 796 618)	(1 552 792)
Cash and Cash Equivalents at End of Period		(99 743)	(2 796 618)

Mohokare Local Municipality
BUDGET STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

30 June 2013

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION									
Current Assets									
Inventories	-	-	-	-	665 573	-	665 573	0.00	0.00
Inventories Held-for-Sale	-	-	-	-	4 215 670	-	4 215 670	0.00	0.00
Receivables from Exchange Transactions	-	-	-	-	2 093 867	-	2 093 867	0.00	0.00
Receivables from Non-exchange Transactions	-	-	-	-	785 370	-	785 370	0.00	0.00
VAT Receivable	-	-	-	-	10 786 930	-	10 786 930	0.00	0.00
Cash and Cash Equivalents	-	-	-	-	274 866	-	274 866	0.00	0.00
Sundry Debtors	-	-	-	-	1 435 888	-	1 435 888	0.00	0.00
Non-Current Assets									
Property, Plant and Equipment	-	-	-	-	312 648 091	-	312 648 091	0.00	0.00
Intangible Assets	-	-	-	-	534 123	-	534 123	0.00	0.00
Investment Property	-	-	-	-	20 519 205	-	20 519 205	0.00	0.00
Biological Assets	-	-	-	-	326 970	-	326 970	0.00	0.00
Non-current Investments	-	-	-	-	187 924	-	187 924	0.00	0.00
Total Assets	-	-	-	-	354 474 477	-	354 474 477	0.00	0.00
Current Liabilities									
Consumer Deposits	-	-	-	-	213 657	-	213 657	0.00	0.00
Payables	-	-	-	-	21 386 685	-	21 386 685	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	18 602 343	-	18 602 343	0.00	0.00
Bank Overdraft	-	-	-	-	374 609	-	374 609	0.00	0.00
Current Portion of Long-term Liabilities	-	-	-	-	273 575	-	273 575	0.00	0.00
Non-Current Liabilities									
Long-term Liabilities	-	-	-	-	10 883 186	-	10 883 186	0.00	0.00
Non-current Provisions	-	-	-	-	22 091 270	-	22 091 270	0.00	0.00
Total Liabilities	-	-	-	-	73 825 327	-	73 825 327	0.00	0.00
Total Assets and Liabilities	-	-	-	-	280 649 150	-	280 649 150	0.00	0.00
Net Assets (Equity)									
Accumulated Surplus / (Deficit)	-	-	-	-	280 649 150	-	280 649 150	0.00	0.00
Total Net Assets	-	-	-	-	280 649 150	-	280 649 150	0.00	0.00

FINANCIAL PERFORMANCE									
Revenue from Non-exchange Transactions									
Property Rates	-	-	-	5 476 900	6 047 454	-	570 554	110.42	0.00
Fines	-	-	-	111 830	59 316	-	(52 514)	53.04	0.00
Licences and Permits	-	-	-	210	-	-	(210)	0.00	0.00
Government Grants and Subsidies Received	-	-	-	88 661 482	94 776 059	-	6 114 577	106.90	0.00
Public Contributions and Donations	-	-	-	-	1 802 434	-	1 802 434	0.00	0.00
Revenue from Exchange Transactions									
Service Charges	-	-	-	35 147 850	42 163 796	-	7 015 946	119.96	0.00
Rental of Facilities and Equipment	-	-	-	344 640	456 395	-	111 755	132.43	0.00
Interest Earned - External Investments	-	-	-	2 380	116 230	-	113 850	4 883.62	0.00
Interest Earned - Outstanding Debtors	-	-	-	254 310	298 460	-	44 150	117.36	0.00
Dividends Received	-	-	-	9 980	8 316	-	(1 664)	83.33	0.00
Fair value gains	-	-	-	-	41 987	-	41 987	0.00	0.00
Other Income	-	-	-	3 365 990	1 705 708	-	(1 660 282)	50.67	0.00
Total Revenue	-	-	-	133 375 572	147 476 153	-	14 100 581	110.57	0.00
Expenditure									
Employee Related Costs	-	-	-	43 909 830	40 601 441	-	(3 308 389)	92.47	0.00
Remuneration of Councillors	-	-	-	2 668 880	2 844 699	175 819	175 819	106.59	0.00
Depreciation and Amortisation	-	-	-	21 000 000	21 694 049	694 049	694 049	103.30	0.00
Impairment Losses	-	-	-	1 930 460	5 328 507	3 398 047	3 398 047	276.02	0.00
Repairs and Maintenance	-	-	-	6 941 090	3 037 847	-	(3 903 243)	43.77	0.00
Finance Costs	-	-	-	248 230	6 165 651	5 917 421	5 917 421	2 483.85	0.00
Bulk Purchases	-	-	-	17 525 500	18 119 395	593 895	593 895	103.39	0.00
Contracted Services	-	-	-	8 497 350	6 159 031	-	(2 338 319)	72.48	0.00
Grants and Subsidies Paid	-	-	-	4 500 010	16 793 135	12 293 125	12 293 125	373.18	0.00
General Expenses	-	-	-	21 402 410	28 342 351	6 939 941	6 939 941	132.43	0.00
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	382 505	382 505	382 505	0.00	0.00
Total Expenditure	-	-	-	128 623 760	149 468 612	30 394 803	20 844 852	116.21	0.00
Surplus/(Deficit)	-	-	-	4 751 812	(1 992 459)	(30 394 803)	(6 744 271)	0.00	0.00
Surplus/(Deficit) after Capital Transfers and Contributions	-	-	-	4 751 812	(1 992 459)	(30 394 803)	(6 744 271)	0.00	0.00
Surplus/(Deficit for the Year)	-	-	-	4 751 812	(1 992 459)	(30 394 803)	(6 744 271)	-	-

[illegible]

Financial Performance: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 5% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance, please refer to Annexure "E (1)".

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 10% between Approved Budget and Actual Amount, please refer to Annexure "E (2)".

30 June 2012

Description	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION									
Current Assets									
Inventories	-	-	-	-	626 830	-	626 830	0.00	0.00
Receivables from Exchange Transactions	-	-	-	-	671 345	-	671 345	0.00	0.00
Receivables from Non-exchange Transactions	-	-	-	-	360	-	360	0.00	0.00
VAT Receivable	-	-	-	-	12 407 627	-	12 407 627	0.00	0.00
Cash and Cash Equivalents	-	-	-	-	288 595	-	288 595	0.00	0.00
Sundry Debtors	-	-	-	-	1 094 130	-	1 094 130	0.00	0.00
Non-Current Assets									
Property, Plant and Equipment	-	-	-	-	304 019 081	-	304 019 081	0.00	0.00
Intangible Assets	-	-	-	-	534 123	-	534 123	0.00	0.00
Investment Property	-	-	-	-	20 519 205	-	20 519 205	0.00	0.00
Biological Assets	-	-	-	-	554 480	-	554 480	0.00	0.00
Non-current Investments	-	-	-	-	145 938	-	145 938	0.00	0.00
Total Assets	-	-	-	-	340 861 715	-	340 861 715	0.00	0.00
Current Liabilities									
Consumer Deposits	-	-	-	-	164 837	-	164 837	0.00	0.00
Payables	-	-	-	-	17 544 263	-	17 544 263	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	12 080 659	-	12 080 659	0.00	0.00
Bank Overdraft	-	-	-	-	3 085 214	-	3 085 214	0.00	0.00
Current Portion of Long-term Liabilities	-	-	-	-	502 383	-	502 383	0.00	0.00
Non-Current Liabilities									
Long-term Liabilities	-	-	-	-	12 008 478	-	12 008 478	0.00	0.00
Non-current Provisions	-	-	-	-	17 049 945	-	17 049 945	0.00	0.00
Total Liabilities	-	-	-	-	62 435 779	-	62 435 779	0.00	0.00
Total Assets and Liabilities	-	-	-	-	278 425 936	-	278 425 936	0.00	0.00
Net Assets (Equity)									
Accumulated Surplus / (Deficit)	-	-	-	-	282 641 604	-	282 641 604	0.00	0.00
Total Net Assets	-	-	-	-	282 641 604	-	282 641 604	0.00	0.00

FINANCIAL PERFORMANCE									
Revenue from Non-exchange Transactions									
Property Rates	6 846 144	-	-	6 846 144	5 412 839	-	(1 433 305)	79.06	79.06
Fines	1 210 000	(1 160 000)	-	50 000	157 143	-	107 143	314.29	12.99
Licences and Permits	110	890	-	1 000	439	-	(561)	43.86	398.73
Government Grants and Subsidies Received	63 839 447	8 871 553	-	72 711 000	75 357 043	-	2 646 043	103.64	118.04
Public Contributions and Donations	(28 052)	-	-	(28 052)	-	-	28 052	0.00	0.00
Revenue from Exchange Transactions									
Service Charges	4 711 934	2 355 170	-	7 067 104	35 847 242	-	28 780 138	507.24	760.78
Rental of Facilities and Equipment	524 607	-	-	524 607	663 136	-	138 529	126.41	126.41
Interest Earned - External Investments	-	-	-	-	140 677	-	140 677	0.00	0.00
Interest Earned - Outstanding Debtors	238 670	14 522	-	253 192	273 209	-	20 017	107.91	114.47
Dividends Received	7 626	-	-	7 626	2 962	-	(4 664)	38.84	38.84
Fair value gains	-	-	-	-	76 404	-	76 404	0.00	0.00
Other Income	165 120	498 851	-	663 971	567 172	-	(96 799)	85.42	343.49
Total Revenue	77 515 607	10 580 986	-	88 096 593	118 498 266	-	30 401 673	134.51	152.87
Expenditure									
Employee Related Costs	40 343 910	(3 371 900)	-	36 972 010	35 362 981	-	(1 609 029)	95.65	87.65
Remuneration of Councillors	2 511 235	90 153	-	2 601 389	2 599 729	-	(1 659)	99.94	103.52
Depreciation and Amortisation	-	-	-	-	21 365 405	21 365 405	21 365 405	0.00	0.00
Impairment Losses	1 595 310	-	-	1 595 310	31 110 414	29 515 104	29 515 104	1 950.12	1 950.12
Repairs and Maintenance	1 221 259	1 393 089	-	2 614 348	1 702 805	-	(911 543)	65.13	139.43
Finance Costs	228 566	(151 068)	-	77 497	2 080 323	2 002 826	2 002 826	2 684.39	910.16
Bulk Purchases	493 097	932 712	-	1 425 809	14 212 147	12 786 338	12 786 338	996.78	2 882.22
Contracted Services	4 360 945	760 945	-	5 121 890	5 419 859	297 969	297 969	105.82	124.28
Grants and Subsidies Paid	1 417 410	-	-	1 417 410	1 091 381	-	(326 029)	77.00	77.00
General Expenses	12 018 847	3 917 535	-	15 936 382	20 744 353	4 807 971	4 807 971	130.17	172.60
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	131 102	131 102	131 102	0.00	0.00
Total Expenditure	64 190 578	3 571 466	-	67 762 044	135 820 500	70 906 716	68 058 456	200.44	211.59
Surplus/(Deficit)	13 325 030	7 009 520	-	20 334 549	(17 322 234)	(70 906 716)	(37 656 783)	0.00	0.00
Surplus/(Deficit) after Capital Transfers and Contributions	13 325 030	7 009 520	-	20 334 549	(17 322 234)	(70 906 716)	(37 656 783)	0.00	0.00
Surplus/(Deficit for the Year)	13 325 030	7 009 520	-	20 334 549	(17 322 234)	(70 906 716)	(37 656 783)	-	-

CAPITAL EXPENDITURE PER FUNCTION									
Executive and Council	-	404 000	-	404 000	404 000	-	-	100.00	0.00
Waste Management	9 616 947	-	-	9 616 947	8 124 886	-	(1 492 061)	84.49	84.49
Roads and Transport	8 990 000	-	-	8 990 000	10 556 946	1 566 946	1 566 946	117.43	117.43
Water	4 300 000	-	-	4 300 000	4 304 202	4 202	4 202	100.10	100.10
Electricity	1 210 000	-	-	1 210 000	1 214 789	4 789	4 789	100.40	100.40
Total Sources of Capital Funds	24 116 947	404 000	-	24 520 947	24 604 823	1 575 937	83 876	100.34	102.02
CASH FLOW									
Cash Flows from/(used in) Operating Activities									
Cash Receipts from Ratepayers, Government and Other	-	-	-	-	126 562 317	126 562 317	126 562 317	0.00	0.00
Cash Paid to Suppliers and Employees	-	-	-	-	(110 208 287)	-	(110 208 287)	0.00	0.00
Interest received	-	-	-	-	413 886	413 886	413 886	0.00	0.00
Interest paid	-	-	-	-	(2 080 323)	-	(2 080 323)	0.00	0.00
Cash Flows from/(used in) Investing Activities									
Purchase of Property, Plant and Equipment	-	-	-	-	(20 098 952)	-	(20 098 952)	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	5	5	5	0.00	0.00
Cash Flows from/(used in) Financing Activities									
Loans repaid	-	-	-	-	4 167 528	4 167 528	4 167 528	0.00	0.00
Cash and Cash Equivalents at End of the Year	-	-	-	-	(1 243 826)	131 143 736	(1 243 826)	0.00	0.00
	-								

Financial Performance: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 5% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance, please refer to Annexure "E (1)".

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

For reasons for Variances greater than 10% between Approved Budget and Actual Amount, please refer to Annexure "E (2)".

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2012/13		2011/12
	R		R
Net surplus/(deficit) per the statement of financial performance	(1 992 459)		(17 322 234)
Revenue from Non-exchange Transactions			
Property Rates	(570 554)		1 433 305
Fines	52 514		(107 143)
Licences and Permits	210		561
Government Grants and Subsidies Received	(6 114 577)		(2 646 043)
Public Contributions and Donations	(1 802 434)		(28 052)
Revenue from Exchange Transactions			
Service Charges	(7 015 946)		(28 780 138)
Rental of Facilities and Equipment	(111 755)		(138 529)
Interest Earned - External Investments	(113 850)		(140 677)
Interest Earned - Outstanding Debtors	(44 150)		(20 017)
Dividends Received	1 664		4 664
Fair Value Gains	(41 987)		(76 404)
Other Revenue	1 660 282		96 799
Expenditure			
Employee Related Costs	(3 308 389)		(1 609 029)
Remuneration of Councillors	175 819		(1 659)
Depreciation and Amortisation	694 049		21 365 405
Impairment Losses	3 398 047		29 515 104
Repairs and Maintenance	(3 903 243)		(911 543)
Finance Costs	5 917 421		2 002 826
Bulk Purchases	593 895		12 786 338
Contracted Services	(2 338 319)		297 969
Grants and Subsidies Paid	12 293 125		(326 029)
General Expenses	6 939 941		4 807 971
Loss on Disposal of Property, Plant and Equipment	382 505		131 102
Net surplus/deficit per approved budget	4 751 812		20 334 549

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2012 and 30 June 2013 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy 10.2 on *Revenue from Exchange Transactions* and Accounting Policy 10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1. 2. 2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 6.1 on *Financial Assets Classification* and Accounting Policy 6.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments*.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 3 *Impairment of Financial Assets*

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments* and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors. The total increase and decrease in estimation of the impairment of trade and other receivables from exchange transactions amounted to R4 136 636 and that of trade and other receivable from non exchange transactions to R321 328 respectively.

1. 2. 4 *Useful lives of Property, Plant and Equipment, Intangible assets and Investment property*

As described in Accounting Policies 3.3, 4 and 5 the municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1. 2. 5 *Impairment: Write down of Property, Plant and Equipment, Investment property, Intangible assets, Heritage assets and Inventories*

Accounting Policy 3.9 on *PPE - Impairment of assets* and Accounting Policy 4.2 on *Intangible assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 8.2 on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: *Impairment of Cash generating Assets* and GRAP 26: *Impairment of non-Cash generating Assets*. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgment by management. During the year the estimated impairments to Property, plant and equipment amounted to R17 127 , whilst no impairments were made to intangible assets or inventory.

1. 2. 6 *Water inventory*

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Note 10.2 of the accounting policy to the Annual Financial Statements.

1. 2. 7 *Defined Benefit Plan Liabilities*

As described in Accounting Policy 13, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 5 and 6 to the Annual Financial Statements. No liability existed at year end.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 8 Provisions and contingent liabilities

Provision for Rehabilitation of Refuse Landfill Sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 5% (2012: 5.5%) and discounted to the present value:

a) For landfill sites with a remaining operating life of less than 5 years, at the average short term borrowing cost of 11.14% (2012: 11.3475%).

b) For landfill sites with a remaining operating life of greater than 5 years, at the average long-term treasury bond rate 4.09% (2012: 11.3475%).

1. 2. 9 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 5% deviation exists. All material differences are explained in the notes to the annual financial statements

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

1. 5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005

GRAP 20 Related Party Disclosures (Revised)

GRAP 25 Employee Benefits - issued December 2009

GRAP 105 Transfers between entities under common control - issued November 2010

GRAP 106 Transfers between entities not under common control - issued November 2010

GRAP 107 Mergers - issued November 2010

The Minister of Finance announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26, GRAP 103 and GRAP 104 will be effective for period starting after 1 April 2012. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:

Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)

Impairment of Cash-generating Assets (GRAP 26 - issued March 2009)

Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008)

Financial Instruments (GRAP 104 Financial Instruments - October 2009)

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

1. BASIS OF PRESENTATION (continued)

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

GRAP 18 - Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management. Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region. Requires additional disclosures on the various segments of the business in a manner that is consistent with the information reported internally to management of the entity. The precise impact of this on the financial statements of the Municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

GRAP 20 – Related party disclosures

The effective date of the standard has not been determined yet. The standard of GRAP on related parties will replace the IPSAS 20 standard on related party disclosure currently used. No significant impact on the financial statements of the Municipality is expected.

GRAP 25 – Employee Benefits

This standard prescribes similar requirements to those in terms of IAS 19: Employee Benefits. Since IAS 19 has been applied in developing the current accounting policy, no significant impact on the financial statements of the Municipality is expected. This standard does not yet have an effective date.

GRAP 105 – Transfer of Function Between Entities Under common Control

This standard provides the accounting treatment for transfers of functions between entities under common control. However the impact on the Municipality's financial statements is not expected to be significant due to the fact that the Municipality rarely enters into such transactions. The standard is only expected to have an impact on the Municipality in respect of any future transfers of functions. This standard does not yet have an effective date.

GRAP 106 – Transfer of Function Between Entities Not Under common Control

This standard deals with other transfers of functions (i.e. between entities not under common control) and requires the entity to measure transferred assets and liabilities at fair value. It is unlikely that the Municipality will enter into any such transactions in the near future. This standard does not yet have an effective date.

GRAP 107 – Mergers

This standard deals with requirements for accounting for a merger between two or more entities, and is unlikely to have an impact on the financial statements of the Municipality in the foreseeable future. This standard does not yet have an effective date.

2. ACCUMULATED SURPLUS

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:

2. 1. 1 Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the Entity.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.
- If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance, and is then transferred via the Statement of Changes in Net Assets to the CRR, provided that it is cash backed.

Profit on the sale of land is not transferred to the CRR, as it is regarded as revenue.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

3. PROPERTY, PLANT AND EQUIPMENT

3. 1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, excluding land and building and including for Infrastructure Assets, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent to initial recognition, land and buildings are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Previously, land and buildings were carried at cost less accumulated depreciation and impairment losses. These changes are recorded as a change in accounting policy in the Statement of Financial Performance.

An increase in the carrying amount of land and buildings as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

When revalued assets are sold or retired, the amounts included in the revaluation reserve in respect of that assets, are transferred to accumulated surplus or deficit.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 2 Subsequent Measurement (continued)

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3. 3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years		Years
Infrastructure		Buildings	30 - 100
Roads and Paving	45 - 50		
Electricity	45 - 50	Other	
Water	15 - 100	Specialist Vehicles	5 - 20
Sewerage	15 - 100	Other Vehicles	5 - 10
Landfill Sites	10 - 65	Office Equipment	3 - 7
		Furniture and Fittings	7 - 10
Community		Watercraft	15
Recreational Facilities	15 - 60	Bins and Containers	5
Security	5	Specialised Plant and Equipment	10 - 15
		Other items of Plant and Equipment	2 - 5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

3. 4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3. 5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3. 6 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

3. 7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3. 8 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

4. Heritage Assets

An heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

4. 1 Initial Recognition

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

4. 2 Subsequent Measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

4. 3 Derecognition of Heritage assets

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

Transitional provisions

The municipality utilised the transitional provisions under Directive 4, which allows 3 year for the measurement of heritage assets.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

5. INTANGIBLE ASSETS

5. 1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21 / GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

5. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

5. INTANGIBLE ASSETS (continued)

5. 3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Transitional provisions

Intangible assets recognised in terms of GRAP 102 have been presented for the financial year ended 30 June 2011 (and retrospectively where practicable) in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 4.

6. INVESTMENT PROPERTY

6. 1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

6. 2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation (30 July 2013). Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

6. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal

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7. IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

7. 1. *Impairment of Cash generating assets*

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset"

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

7. 2 *Impairment of Non-Cash generating assets*

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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7. IMPAIRMENT OF ASSETS (continued)

7. 2 Impairment of Non-Cash generating assets (continued)

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

8. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The effective interest rate method

Amortised cost

8. 1 Financial Assets - Classification

A financial asset is any asset that is a cash or contractual right to receive cash.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial asset at amortised cost are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Financial assets measured at fair value are financial assets that meet either of the following conditions:

- (a) derivatives;
- (b) combined instruments that are designated at fair value
- (c) instruments held for trading.
- (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial assets measured at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

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8. FINANCIAL INSTRUMENTS (continued)

8. 1 Financial Assets - Classification (continued)

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial asset at amortised cost
Bank Balances and Cash	Financial asset at amortised cost
Long-term Receivables	Financial asset at amortised cost
Consumer Debtors	Financial asset at amortised cost
Other Debtors	Financial asset at amortised cost
Investments in Fixed Deposits	Financial asset at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

8. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Financial liabilities measured at fair value or
- (ii) Financial liabilities measured at amortised cost
- (iii) Financial liabilities measured at cost

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liabilities	Classification in terms of GRAP 104
Long term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Bank overdraft	Financial liability at amortised cost
Short-term Loans	Financial liability at amortised cost
Current portion of Long-Term Liabilities	Financial liability at amortised cost

Financial liabilities that are measured at fair value financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

8. 3 Initial and Subsequent Measurement

8. 3. 1 Financial Assets:

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis. .

Financial Assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

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8. FINANCIAL INSTRUMENTS (continued)

8. 3 Initial and Subsequent Measurement (continued)

8. 3. 2 Financial Liabilities:

Financial liabilities measured at fair value

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities measured at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

8. 4 Impairment of Financial Assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets carried at amortised cost

Accounts receivables encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Impairment of Financial Assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

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8. FINANCIAL INSTRUMENTS (continued)

8. 5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

8. 6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

9. INVENTORIES

9. 1 Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

9. 2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

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9. INVENTORIES (continued)

9. 2 Subsequent Measurement (continued)

Redundant and slow-moving inventories

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

10. NON-CURRENT ASSETS HELD-FOR-SALE

10. 1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

10. 2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale, is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

11. REVENUE RECOGNITION

11. 1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

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11. REVENUE RECOGNITION (continued)

11. 2 Revenue from Exchange Transactions

11. 2. 1 Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

11. 2. 2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale.

11. 2. 3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

11. 2. 4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

11. 2. 5 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

11. 2. 6 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

11. 2. 7 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

11. 2. 8 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with

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11. REVENUE RECOGNITION (continued)

11. 3 Revenue from Non-exchange Transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

11. 3. 1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

11. 3. 2 Fines

Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the entity and the amount of the revenue can be measured reliably.

Fines consist of spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

An estimate is made for revenue from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the entity.

11. 3. 3 Public contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired in non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

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11. REVENUE RECOGNITION (continued)

11. 3 Revenue from Non-exchange Transactions (continued)

11. 3. 4 Government Grants and receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional Grants and receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

11. 3. 5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

12. PROVISIONS

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

13. EMPLOYEE BENEFITS

13. 1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13. 2 Post employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

13. 2 1 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

13. 3 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

13. 3. 1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

13. 3. 2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

13. EMPLOYEE BENEFITS

13. 3 Defined Benefit Plans (continued)

13. 3. 3 Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 47 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

13. 3. 4 Defined benefit pension plans

The municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

14. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

14. 1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

14. LEASES (continued)

14. 1 The Municipality as Lessee (continued)

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

14. 2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

14. 3 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

15. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2013 in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

16. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

17. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

18. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 37 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 37 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

22. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

23. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

24. FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the functional currency of the entity at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost or fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

25. COMPARATIVE INFORMATION

25. 1 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

25. 2 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2012 to 30 June 2013.

26. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

27. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

MOHOKARE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

28. CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R	
1. GENERAL INFORMATION			
Mohokare Local Municipality ("the municipality") is a local government institution in Zastron, Smithfield and Rouxville towns in the Xhariep district, Free State Province. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).			
2. INVENTORIES - CONSUMABLES			
Maintenance Materials - at cost	227 872	246 950	
Spare Parts - at cost	418 925	365 638	
Water - at cost	18 776	14 242	
Total Inventories	665 573	626 830	
Consumable Inventory Expensed during the financial period	978 331	405 214	
Inventories are held for own use with the result that no write downs of Inventory to Net Realisable Value were required.			
The cost of water production for the year amounted to R2,53 per kilolitre (2012: R3,51 per kilolitre) in Zastron, R3,02 per kilolitre (2012: R2.88 per kilolitre) in Rouxville and R7,13 per kilolitre (2012: R2,02 per kilolitre) in Smithfield.			
No Inventories have been pledged as collateral for Liabilities of the municipality.			
3. INVENTORIES - ERVEN HELD FOR TRANSFER			
Erven held for transfer	4 215 670	4 215 670	
Total INVENTORIES - ERVEN HELD FOR TRANSFER	4 215 670	4 215 670	
Net INVENTORIES - ERVEN HELD FOR TRANSFER	4 215 670	4 215 670	
3.1 Erven Held-for-Transfer			
The municipality intends to dispose some of its erven through a transfer to owners in the next financial year.			
4. RECEIVABLES FROM EXCHANGE TRANSACTIONS			
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Service Debtors:	54 612 389	52 853 160	1 759 229
Electricity	916 825	250 185	666 640
Refuse	12 240 472	12 213 960	26 512
Sewerage	15 934 826	15 260 945	673 881
Water	25 520 266	25 128 070	392 196
Other Receivables	18 297 231	17 962 593	334 638
Housing	871 237	632 614	238 623
Other Debtors	17 425 993	17 329 979	96 014
Total Receivables from Exchange Transactions	72 909 619	70 815 752	2 093 867

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R	
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Service Debtors:	49 216 438	48 592 934	623 504
Electricity	1 009 966	957 448	52 518
Refuse	10 694 214	10 628 594	65 620
Sewerage	13 902 941	13 744 518	158 423
Water	23 609 318	23 262 374	346 944
Other Receivables	18 134 022	18 086 182	47 840
Housing	697 103	680 371	16 732
Other Debtors	17 436 919	17 405 811	31 108
Total Receivables from Exchange Transactions	67 350 460	66 679 115	671 345

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2013, the municipality is owed R1 080 875 (30 June 2012: R1 756 710) by National and Provincial Government.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Receivables as well as the current payment ratio's of the municipality's Receivables.

4.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2013

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	-	-	-	916 825	916 825
Less: Provision for Impairment	-	-	-	250 185	250 185
Net Balances	-	-	-	666 640	666 640
Refuse:					
Gross Balances	371 069	346 736	340 271	11 182 396	12 240 472
Less: Provision for Impairment	369 035	345 169	338 630	11 161 126	12 213 960
Net Balances	2 034	1 567	1 641	21 270	26 512
Sewerage:					
Gross Balances	567 808	505 989	480 465	14 380 564	15 934 826
Less: Provision for Impairment	422 541	419 638	422 470	13 996 296	15 260 945
Net Balances	145 267	86 351	57 995	384 268	673 881
Water:					
Gross Balances	2 391 504	615 640	576 126	21 936 996	25 520 266
Less: Provision for Impairment	2 305 484	569 496	534 916	21 718 174	25 128 070
Net Balances	86 019	46 144	41 210	218 822	392 196

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

Other Receivables:

Gross Balances	103 521	148 996	142 839	17 901 874	18 297 231
Less: Provision for Impairment	92 193	138 451	137 568	17 594 380	17 962 593
Net Balances	11 329	10 545	5 271	307 494	334 638

As at 30 June 2012 Receivables of R1 849 218 were past due but not impaired. The age analysis of these Receivables are as follows:

Past Due			Total
<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	

All Receivables:

Gross Balances	1 617 362	1 539 701	66 318 654	69 475 717
Less: Provision for Impairment	1 472 755	1 433 584	64 720 160	67 626 499
Net Balances	144 607	106 118	1 598 493	1 849 218

As at 30 June 2012

Current	Past Due			Total
<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	

Electricity:

Gross Balances	-	-	1 009 966	1 009 966
Less: Provision for Impairment	-	-	957 448	957 448
Net Balances	-	-	52 518	52 518

Refuse:

Gross Balances	331 559	417 633	397 904	10 694 214
Less: Provision for Impairment	299 995	392 309	389 177	10 628 599
Net Balances	31 564	25 324	8 727	65 615

Sewerage:

Gross Balances	513 724	616 246	569 136	13 902 941
Less: Provision for Impairment	437 984	552 948	549 751	13 744 518
Net Balances	75 740	63 298	19 385	158 423

Water:

Gross Balances	2 685 981	1 220 800	931 719	18 770 818	23 609 318
Less: Provision for Impairment	2 555 353	1 019 033	917 170	18 770 818	23 262 374
Net Balances	130 628	201 767	14 549	-	346 944

Other Receivables:

Gross Balances	102 598	147 667	141 565	17 742 192	18 134 022
Less: Provision for Impairment	92 827	139 404	138 515	17 715 436	18 086 182
Net Balances	9 771	8 263	3 050	26 756	47 840

As at 30 June 2012 Receivables of R423 637 were past due but not impaired. The age analysis of these Receivables are as follows:

Past Due			Total
<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	

All Receivables:

Gross Balances	2 402 346	2 040 324	59 273 928	63 716 598
Less: Provision for Impairment	2 103 694	1 994 613	59 194 655	63 292 962
Net Balances	298 652	45 711	79 274	423 637

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

4.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2013				
<u>Current:</u>				
0 - 30 days	3 347 638	84 480	49 242	684
<u>Past Due:</u>				
31 - 60 Days	1 509 334	68 350	35 925	772
61 - 90 Days	1 450 567	65 595	31 056	766
+ 90 Days	61 218 901	4 057 805	964 652	23 852
Sub-total	67 526 440	4 276 231	1 080 875	26 074
Less: Provision for Impairment	66 735 749	4 055 619	-	24 385
Total Trade Receivables by Customer Classification	790 691	220 612	1 080 875	1 689

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2012				
<u>Current:</u>				
0 - 30 days	3 525 925	53 406	54 152	381
<u>Past Due:</u>				
31 - 60 Days	2 266 418	74 238	61 191	499
61 - 90 Days	1 947 923	53 702	38 202	495
+ 90 Days	54 838 661	2 815 697	1 603 165	16 405
Sub-total	62 578 927	2 997 043	1 756 710	17 780
Less: Provision for Impairment	62 002 584	2 937 387	1 721 364	17 780
Total Trade Receivables by Customer Classification	576 342	59 656	35 346	-

2013
R

2012
R

4.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	66 679 115	42 303 022
<i>All Consumer Debtors</i>	66 679 115	42 303 022
Impairment Losses recognised	4 136 637	24 376 093
<i>All Consumer Debtors</i>	4 136 637	24 376 093
Amounts written off as uncollectable	-	-
<i>All Consumer Debtors</i>	-	-
Balance at end of year	70 815 752	66 679 115

In determining the recoverability of a Receivable, the municipality considers any change in the credit quality of the Receivable from the date credit was initially granted up to the reporting date. Furthermore, the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers and is not concentrated in any particular sector or geographical area. Accordingly, management believe that there is no further credit provision required in excess of the Provision for Impairment.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
4.4 Ageing of impaired Receivables from Exchange Transactions	2013 R	2012 R
<u>Current:</u>		
0 - 30 Days	3 189 253	3 386 159
<u>Past Due:</u>		
31 - 60 Days	1 472 755	2 103 694
61 - 90 Days	1 433 584	1 994 613
+ 90 Days	64 720 160	59 194 655
Total	70 815 752	66 679 121

4.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Assessment Rates Debtors	7 061 149	6 275 779	785 370
Total Receivables from Non-exchange Transactions	7 061 149	6 275 779	785 370
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Assessment Rates Debtors	6 597 467	6 597 107	360
Total Receivables from Non-exchange Transactions	6 597 467	6 597 107	360

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

5.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2013	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Assessment Rates:					
Gross Balances	56 041	56 743	56 261	6 892 104	7 061 149
Less: Provision for Impairment	46 676	47 085	46 342	6 135 677	6 275 779
Net Balances	9 365	9 658	9 919	756 427	785 370

As at 30 June Receivables of R776 004 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:				
Gross Balances	56 743	56 261	6 892 104	7 005 108
Less: Provision for Impairment	47 085	46 342	6 135 677	6 229 103
Net Balances	9 658	9 919	756 427	776 004

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

As at 30 June 2012

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	3 131	43 099	43 268	6 507 969	6 597 467
Less: Provision for Impairment	3 131	42 919	43 088	6 507 969	6 597 107
Net Balances	-	180	180	-	360

As at 30 June Receivables of R360 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	43 099	43 268	6 507 969	6 594 336
Less: Provision for Impairment	42 919	43 088	6 507 969	6 593 976
Net Balances	180	180	-	360

5.2 Summary of Assessment Rates Debtors by Customer Classification

Household

R

As at 30 June 2013

Current:

0 - 30 days

56 041

Past Due:

31 - 60 Days

56 743

61 - 90 Days

56 261

+ 90 Days

6 892 104

Sub-total

7 061 149

Less: Provision for Impairment

6 275 779

Total Rates Debtors by Customer Classification

785 370

Household

R

As at 30 June 2012

Current:

0 - 30 days

3 131

Past Due:

31 - 60 Days

43 099

61 - 90 Days

43 268

+ 90 Days

6 507 969

Sub-total

6 597 467

Less: Provision for Impairment

6 597 107

Total Rates Debtors by Customer Classification

360

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013 R	2012 R
2013 R	2012 R

5.3 Reconciliation of Provision for Impairment

Balance at beginning of year	6 597 107	-
<i>Other Debtors</i>	6 597 107	-
<i>Assessment Rates Debtors</i>	-	-
Impairment Losses recognised	(321 328)	6 597 107
<i>Other Debtors</i>	(321 328)	6 597 107
<i>Assessment Rates Debtors</i>	-	-
Balance at end of year	6 275 779	6 597 107

6. VAT RECEIVABLE / (PAYABLE)

Vat Payable.	(1 693 407)	(6 633 455)
Vat Receivable.	12 480 337	19 041 082
Vat Receivable / (Payable)	10 786 930	12 407 627

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

7. CASH AND CASH EQUIVALENTS

Current Investments	273 686	271 207
Bank Accounts	-	16 209
Bank Overdraft	(374 609)	(3 085 214)
Cash and Cash Equivalents	1 180	1 180
Total Bank, Cash and Cash Equivalents	(99 743)	(2 796 618)

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

7.1 Current Investment Deposits

Call Deposits	273 686	271 207
Deposits available for Operations	273 686	271 207
Total Deposits attributable to Commitments of the Municipality	273 686	271 207

7.2 Bank Accounts

Cash in Bank	10 287	16 209
Bank Overdraft	(384 896)	(3 085 214)
Total Bank Accounts	(374 609)	(3 069 005)

The Municipality has the following bank accounts:

Primary Bank Account

ABSA Bank - Zastron Branch, Zastron - ChequeAccount Number 4052654487:

Cash book balance at beginning of year	(3 085 214)	(2 065 666)
Cash book balance at end of year	(384 896)	(3 085 214)
Bank statement balance at beginning of year	610 138	193 464
Bank statement balance at end of year	55 885	610 138

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
Other Bank Accounts	2013 R	2012 R
<i>ABSA Bank - Zastron Branch, Zastron - Savings Account Number 2810000018:</i>		
Cash book balance at beginning of year	730	18 052
Cash book balance at end of year	<u>526</u>	<u>730</u>
Bank statement balance at beginning of year	730	18 052
Bank statement balance at end of year	<u>526</u>	<u>730</u>
<i>Standard Bank - Zastron Branch, Zastron - ChequeAccount Number 041952766:</i>		
Cash book balance at beginning of year	8 711	107 085
Cash book balance at end of year	<u>5 549</u>	<u>8 711</u>
Bank statement balance at beginning of year	8 711	107 085
Bank statement balance at end of year	<u>5 549</u>	<u>8 711</u>
<i>First National Bank - Zastron Branch, Zastron - ChequeAccount Number 53593549308:</i>		
Cash book balance at beginning of year	6 768	87 328
Cash book balance at end of year	<u>4 212</u>	<u>6 768</u>
Bank statement balance at beginning of year	6 768	87 327
Bank statement balance at end of year	<u>4 212</u>	<u>6 768</u>

An amount of R18 602 343 (2012: R12 086 909) is attributable to Unspent Conditional Grants.

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

7.3 Cash and Cash Equivalents

Cash Floats and Advances	1 180	1 180
Total Cash on hand in Cash Floats, Advances and Equivalents	<u>1 180</u>	<u>1 180</u>

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

8 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Other	Leased Assets	Total
	R	R	R	R	R	R
Carrying values at 30 June 2012	18 000 361	225 017 959	55 988 663	4 674 018	339 037	308 051 336
Cost	42 824 752	497 220 539	125 090 596	7 731 985	1 291 611	674 159 484
- Completed Assets	42 824 752	451 673 665	125 090 596	7 731 985	1 291 611	628 612 610
- Under Construction	-	45 546 874	-	-	-	45 546 874
Accumulated Impairment Losses	(137 214)	-	-	-	-	(137 214)
Accumulated Depreciation:	(24 687 176)	(272 202 581)	(69 101 933)	(3 057 967)	(953 533)	(370 003 190)
- Cost	(24 687 176)	(272 202 581)	(69 101 933)	(3 057 967)	(953 533)	(370 003 190)
Acquisitions	-	11 767 553	1 000 000	3 226 814	-	15 994 367
Capital under Construction - Additions:	-	24 128 911	2 366 966	-	-	26 495 877
- Cost	-	24 128 911	2 366 966	-	-	26 495 877
Depreciation:	(1 004 060)	(15 314 146)	(3 961 952)	(1 230 452)	(183 439)	(21 694 049)
- Based on Cost	(1 004 060)	(15 314 146)	(3 961 952)	(1 230 452)	(183 439)	(21 694 049)
Carrying value of Disposals:						(894 116)
- Cost	-	-	-	(894 116)	-	(894 116)
Capital under Construction - Completed	-	(11 767 553)	-	-	-	(11 767 553)
Other Movements						
- Accumulated Impairment Losses	-	-	-	(17 127)	-	(17 127)
- Accumulated Depreciation	-	-	-	511 611	-	511 611
- Based on Cost				511 611		511 611
Carrying values at 30 June 2013	16 996 303	233 832 724	55 393 677	6 270 747	154 639	312 648 091
Cost	42 824 752	521 349 451	128 457 562	10 064 683	1 291 611	703 988 060
- Completed Assets	42 824 752	463 441 218	126 090 596	10 064 683	1 291 611	643 712 861
- Under Construction	-	57 908 233	2 366 966	-	-	60 275 199
Accumulated Impairment Losses	(137 214)	-	-	(17 127)	-	(154 341)
Accumulated Depreciation:	(25 691 236)	(287 516 727)	(73 063 885)	(3 776 808)	(1 136 972)	(391 185 628)
- Cost	(25 691 236)	(287 516 727)	(73 063 885)	(3 776 808)	(1 136 972)	(391 185 628)

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

30 June 2013

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Other	Leased Assets	Total
	R	R	R	R	R	R
Carrying values at 1 July 2011	19 276 024	222 000 572	59 928 332	5 653 234	665 523	307 523 686
Cost	43 055 128	479 091 421	125 090 596	7 731 985	1 291 611	656 260 742
- Completed Assets	43 055 128	451 673 665	125 090 596	7 731 985	1 291 611	628 842 986
- Under Construction	-	27 417 756	-	-	-	27 417 756
Accumulated Depreciation:	(23 779 104)	(257 090 849)	(65 162 264)	(2 078 751)	(626 088)	(348 737 057)
- Cost	(23 779 104)	(257 090 849)	(65 162 264)	(2 078 751)	(626 088)	(348 737 057)
Acquisitions	-	-	-	-	-	-
Capital under Construction - Additions:	-	18 129 118	-	-	-	18 129 118
- Cost	-	18 129 118	-	-	-	18 129 118
Depreciation:	(1 007 344)	(15 111 731)	(3 939 669)	(979 217)	(327 445)	(21 365 405)
- Based on Cost	(1 007 344)	(15 111 731)	(3 939 669)	(979 217)	(327 445)	(21 365 405)
Carrying value of Disposals:	(131 104)	-	-	-	-	(131 104)
- Cost	(230 376)	-	-	-	-	(230 376)
- Accumulated Depreciation	99 272	-	-	-	-	99 272
- Based on Cost	99 272	-	-	-	-	99 272
Impairment Losses	(137 214)	-	-	-	-	(137 214)
Carrying values at 30 June 2012	18 000 363	225 017 959	55 988 663	4 674 018	338 078	304 019 081
Cost	42 824 752	497 220 539	125 090 596	7 731 985	1 291 611	674 159 484
- Completed Assets	42 824 752	451 673 665	125 090 596	7 731 985	1 291 611	628 612 610
- Under Construction	-	45 546 874	-	-	-	45 546 874
Accumulated Impairment Losses	(137 214)	-	-	-	-	(137 214)
Accumulated Depreciation:	(24 687 176)	(272 202 581)	(69 101 933)	(3 057 967)	(953 533)	(370 003 190)
- Cost	(24 687 176)	(272 202 581)	(69 101 933)	(3 057 967)	(953 533)	(370 003 190)

The municipality has identified and measured all Property, Plant and Equipment in terms of GRAP 17 for the financial year ended 30 June 2013. The balances of the Property, Plant and Equipment have accordingly been restated retrospectively.

Furthermore, *Property, Plant and Equipment* has been restated to correctly disclose the properties held in terms of GRAP 16. Refer to Note 36.1 on "Correction of Error" for details of the restatement.

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
8 PROPERTY, PLANT AND EQUIPMENT (Continued)		
8.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use		
There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.		
8.2 Carrying Amount of Property, Plant and Equipment held for disposal/Transfer		
No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.		
8.3 Assets pledged as security		
The municipality did not pledge any of its assets as security.		
8.4 Impairment of Property, Plant and Equipment		
The amount of R910 819 (2012: R137 214) disclosed for impairment losses on Property, Plant and Equipment is in respect of buildings and it's content that were damaged during 2012 riots and Movable Assets that got lost during the 2012/13 financial period..		
Land and Buildings	17 127	137 214
Other Assets: Office Equipment	-	-
Total Impairment of Property, Plant and Equipment	17 127	137 214
Impairment losses on Property, Plant and Equipment exist predominantly due to an impaired item of Property, Plant and Equipment that has been physically damaged and has become redundant and idle.		
9 INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses		534 123
The movement in Intangible Assets is reconciled as follows:		
		Total
Carrying values at 30 June 2012		534 123
Cost		534 123
Accumulated Amortisation		-
Carrying values at 30 June 2013		534 123
Cost		534 123
Accumulated Amortisation		-
		Total
Carrying values at 30 June 2011		534 123
Cost		534 123
Accumulated Amortisation		-
Carrying values at 30 June 2012		534 123
Cost		534 123
Accumulated Amortisation		-
The municipality has identified and measured all Intangible Assets in terms of GRAP 102 for the financial year ended 30 June 2013.		
All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.		
No restrictions apply to any of the Intangible Assets of the municipality.		
Refer to Appendix "B" for more detail on Intangible Assets.		

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

2013
R

2012
R

9.1 Intangible Assets with Indefinite Useful Lives

The following classes of Intangible Assets are not amortised as they are regarded as having indefinite useful lives:

Carrying Value of Servitudes: Electricity Distribution	101 143	101 143
Carrying Value of Servitudes: Sewerage Distribution	72 221	72 221
Carrying Value of Servitudes: Water Reticulation	360 760	360 760

Total Carrying Amount of Intangible Assets with Indefinite Useful Lives	534 124	534 124
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Servitudes are regarded as having Indefinite Useful Lives as they are registered permanently, the agreements not having a maturing date.

9.2 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

10 INVESTMENT PROPERTY

The movement in Investment Property is reconciled as follows:

Carrying values at 1 July	20 519 205	20 519 205
Fair Value	20 519 205	20 519 205
Net Gains / (Losses) from Fair Value Adjustments	-	-
Carrying values at 30 June	20 519 205	20 519 205
Fair Value	20 519 205	20 519 205
Estimated Fair Value of Investment Property at 30 June	20 519 205	20 519 205

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	507 940	663 136
Direct Operating Expenses - incurred to generate rental revenue	-	-

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

10.1 Investment Property carried at Fair Value

The following assumptions were used:

Discount Rate	9.50%	9.50%
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10.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R	
11 BIOLOGICAL ASSETS			
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	326 970	554 480	
The movement in Biological Assets is reconciled as follows:			
	Cattle	Horses	Total
Carrying values at 1 July 2012	487 200	7 710	554 480
Fair Value	487 200	7 710	554 480
Acquisitions during the Year (Calves born)	-	-	-
Gains from Changes in Fair Value	-	1 530	1 530
Losses during the Year	(14 130)	(1 500)	(15 630)
Decreases due to consumption	(17 400)	-	(17 400)
Losses from Changes in Fair Value	(196 010)	-	(196 010)
Carrying values at 30 June 2013	259 660	7 740	326 970
Cost	259 660	7 740	326 970
	Cattle	Horses	Total
Carrying values at 01 July 2012	573 300	11 700	585 000
Fair Value	573 300	11 700	585 000
Acquisitions during the Year (Calves born)	115 500	-	115 500
Gains from Changes in Fair Value	52 650	6 920	59 570
Losses during the Year	(109 350)	(3 990)	(113 340)
Decreases due to consumption	(92 250)	-	(92 250)
Carrying values at 30 June 2013	487 200	7 710	554 480
Cost	487 200	7 710	554 480

All of the municipality's Biological Assets are held under freehold interests and no Biological Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Biological Assets of the municipality.

Refer to Appendix "B" for more detail on Biological Assets.

11.1 Biological Assets carried at Fair Value

The municipality's Biological Assets is valued annually at 30 June at fair value by an independent, professionally qualified, valuer. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar assets.

The following assumptions were used:

Rand per kg on the open market
The average weight of cattle per class

11.2 Non-financial Information

Quantities of each Biological Asset:

Cattle	101	110
Horses	10	11

12 NON-CURRENT INVESTMENTS

Unlisted

Local Authority Stock	187 924	145 938
	<u>187 924</u>	<u>145 938</u>

Total Investments

All Investments	187 924	145 938
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Total Non-current Investments

	<u>187 924</u>	<u>145 938</u>
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Council's valuation of Unlisted Investments

Local Authority Stock	187 924	145 938
	<u>187 924</u>	<u>145 938</u>

Unlisted Investments comprise the following:

Local Authority Stock are shares held in OVK Operations Limited. 13 193 Ordinary Shares valued at R7.50 (2012: R6.98) per share and 13 731 Holding Shares valued at R6.48 (2012: R4.06) per share

The management of the municipality is of the opinion that the carrying value of Investments recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Investments was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
13 CONSUMER DEPOSITS		
Electricity and Water	213 657	164 837
Total Consumer Deposits	213 657	164 837

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

14 PAYABLES		
Trade Creditors	8 054 180	8 782 273
Payments received in Advance	1 205 087	586 245
Staff Bonuses	941 236	834 728
Long Service Bonus Accrual	-	135 461
Staff Leave Accrued	2 283 405	2 147 944
Staff Salaries	7 981 893	4 751 429
Unknown Deposits	801 114	205 611
Other Creditors	119 770	100 571
Total Creditors	21 386 685	17 544 263

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did default on payment of its Creditors. However, no terms for payment have been re-negotiated by the municipality.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

15 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

15.1 Conditional Grants from Government	18 602 343	12 080 659
National Government Grants	18 602 343	12 080 659
Total Conditional Grants and Receipts	18 602 343	12 080 659

See Note 20 for the reconciliation of Grants from Government. The Unspent Grants are cashbacked by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
16 LONG-TERM LIABILITIES	2013 R	2012 R
Finance Lease Liabilities	151 879	1 001 264
Government Loans	1 300 844	1 411 710
Other Loans (Centlec Capital Loans)	1 105 150	1 214 262
Centlec Payable	8 598 889	8 883 625
Sub-total	11 156 761	12 510 861
Less: Current Portion transferred to Current Liabilities:-	273 575	502 383
Finance Lease Liabilities	151 878	318 456
Government Loans	121 697	183 927
Other Loans	-	-
Total Long-term Liabilities (Neither past due, nor impaired)	10 883 186	12 008 478

16.1 Summary of Arrangements

Finance Lease Liabilities relates to IT Equipment with lease terms of 3 years. The effective interest rate on Finance Leases is between 8% and 11% (2012: 8% to 11%). Capitalised Lease Liabilities are secured over the items of vehicles and equipment leased.

Other Loans are repaid over a period of 20 years and at an interest rate of 10% annum. Other Loans are secured over assets used to produce electricity.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

16.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to IT Equipment with lease terms not more than 3 years (2012: 5 years). The effective interest rate on Finance Leases is between 8% and 11% (2011: 8% and 11%). The 5 year lease has been cancelled with the relevant suppliers due to the lease term being in contradiction to the MFMA stipulations.

The risks and rewards of ownership in respect of the IT Equipment will transfer to the municipality at the conclusion of the agreement.

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2013 R	2012 R	2013 R	2012 R
Amounts payable under finance leases:				
Within one year	160 632	364 404	160 632	364 404
In the second to fifth years, inclusive	-	691 562	-	691 562
Over five years	-	-	-	-
	160 632	1 055 966	160 632	1 055 966
Less: Future Finance Obligations	(8 754)	(54 702)	(8 754)	(54 702)
Present Value of Minimum Lease Obligations	151 878	1 001 264	151 878	1 001 264
Less: Amounts due for settlement within 12 months (Current Portion)			(151 878)	(318 456)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			-	682 808

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
Included in these classes are the following significant leases:		
(i) Gestetner (IT Equipment)		
- Installments are payable monthly in advance	36 months	36 months
- Average period outstanding	9.43%	9.43%
- Average effective interest rate		
- Average monthly installment	R 16 850.00	R 16 850.00
(ii) Sharp (IT Equipment)		
- Installments are payable monthly in advance	60 months	60 months
- Average period outstanding	9.43%	9.43%
- Average effective interest rate, based on prime		
- Average monthly installment	R 16 811.00	R 16 811.00
	2013 R	2012 R

17 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Land-fill Sites	22 091 270	17 049 945
Total Non-current Provisions	<u>22 091 270</u>	<u>17 049 945</u>

The movement in Non-current Provisions are reconciled as follows:

	Land-fill Sites R
30 June 2013	
Balance at beginning of year	17 049 945
Increase due to discounting	5 041 325
	<u>22 091 270</u>
Transfer to current provisions	-
Balance at end of year	<u>22 091 270</u>
	Land-fill Sites R
30 June 2012	
Balance at beginning of year	15 563 009
Increase due to discounting	1 486 936
	<u>17 049 945</u>
Transfer to current provisions	-
Balance at end of year	<u>17 049 945</u>

18.1 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse site, the municipality will incur rehabilitation costs of R22 million to restore the site at the end of its useful life, estimated to be in 2015. Provision has been made for the net present value of this cost, using the the average cost of borrowing interest rate.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
18 ACCUMULATED SURPLUS		
The Accumulated Surplus consists of the following Internal Funds and Reserves:		
Accumulated Surplus / (Deficit) due to the results of Operations	280 649 150	282 641 604
Total Accumulated Surplus	<u>280 649 150</u>	<u>282 641 604</u>

Accumulated Surplus has been restated to correctly classify amounts held by the municipality as indicated below. Refer to Note 36 "Correction of Errors" for details of the restatements.

Restatement of General Expenses - Note 36.1
Restatement of Lease Liabilities - Note 36.2
Restatement of Property, Plant & Equipment - Note 36.3
Restatement of Payables - Note 36.4
Restatement of Bank and Cash - Note 36.5
Restatement of VAT receivable- Note 36.6

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

19 PROPERTY RATES

	Property Valuations		Actual Levies	
	July 2013 R000's	July 2012 R000's		
Residential	299 182	299 182	3 355 669	3 766 621
Commercial	58 595	58 595	442 913	411 281
Agricultural	2 307 525	2 307 525	3 171 478	2 978 961
State	204 314	204 314	99 688	74 352
Rates Rebates			(1 022 294)	(1 818 376)
Total Property Rates	<u>2 869 615</u>	<u>2 869 615</u>	<u>6 047 454</u>	<u>5 412 839</u>

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2009.

Interim valuations are processed on an continuous basis to take into account changes in individual property values due to alterations and subdivisions.

An general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 0,6099 c/R (2011/12: 0,5700 c/R)
Commercial Properties: 0,8263 c/R (2011/12: 0,7722 c/R)
State Properties: 0,2884 c/R (2011/12: 0,2695 c/R)
Agricultural Properties: 0,1317 c/R (2011/12: 0,1231 c/R)

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
	2013 R	2012 R
20 GOVERNMENT GRANTS AND SUBSIDIES RECEIVED		
National Equitable Share	51 002 000	45 632 000
Operational Grants	51 002 000	45 632 000
Conditional / Unconditional Grants	50 782 683	35 356 796
National: FMG	1 500 000	1 500 000
National: MIG	18 840 000	15 532 000
National: MSIG	800 000	790 000
National: DWAF	15 594 887	8 094 000
National: INEPG	2 000 000	627 000
Grant to Centlec	6 038 596	-
GOGTA Grant	5 009 200	2 775 200
Expanded Public Works Programme	1 000 000	-
Total Government Grants and Subsidies	101 784 683	80 988 796
Government Grants and Subsidies:		
Conditional Grants - Capital	39 668 887	15 532 000
Conditional Grants - Operational	-	-
Unconditional Grants - Capital	-	8 721 000
Unconditional Grants - Operational	56 077 200	50 697 200
	6 038 596	-
Total Government Grants and Subsidies	101 784 683	74 950 200
Summary of Transfers:		
Conditions met - transferred to Revenue: Operating Expenses	63 285 376	50 697 200
Conditions met - transferred to Revenue: Capital Expenses	31 501 317	24 659 843
Total Transfers	94 786 694	75 357 043
Operational Grants:		
20.1 National: Equitable Share (Unconditional)	51 002 000	45 632 000
In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. In terms of the allocation made by DPLG the funds are also utilised to enable the municipality to execute its functions as the local authority. No funds have been withheld.		
20.2 National: FMG Grant (Unconditional)		
Balance unspent at beginning of year	-	-
Current year receipts	1 500 000	1 500 000
Conditions met - transferred to Revenue: Operating Expenses	(1 500 000)	(1 500 000)
Conditions still to be met - transferred to Liabilities	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
20.3 National: MIG Funds (Conditional)		
Balance unspent at beginning of year	12 039 610	12 487 503
Current year receipts	18 840 000	15 532 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(10 635)	-
Conditions met - transferred to Revenue: Capital Expenses	(16 084 499)	(15 979 892)
Conditions still to be met - transferred to Liabilities	<u>14 784 476</u>	<u>12 039 610</u>

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

20.4 National: MSIG Funds (Unconditional)

Balance unspent at beginning of year	-	-
Current year receipts	800 000	790 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(800 000)	(790 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities	<u>-</u>	<u>-</u>

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

20.5 National: Department Water Affairs and Forestry (DWAF) (Conditional)

Balance unspent at beginning of year	-	-
Current year receipts	15 594 887	8 094 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(12 116 153)	(8 094 000)
Conditions still to be met - transferred to Liabilities	<u>3 478 734</u>	<u>-</u>

This grant was used for the operation and maintenance of sewerage and water schemes transferred from DWAF to the municipality, the refurbishment of water infrastructure and the payment of salaries of staff transferred from DWAF. No funds have been withheld.

20.6 National: Integrated National Electrification Programme Grant (INEPG) (Conditional)

Balance unspent at beginning of year	41 049	-
Current year receipts	2 000 000	627 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(2 041 049)	(585 951)
Conditions still to be met - transferred to Liabilities	<u>-</u>	<u>41 049</u>

Expenses were incurred to promote rural development and upgrade electricity infrastructure. No funds have been withheld.

20.7 Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(1 000 000)	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>-</u>	<u>-</u>

This grant was received for the building and maintenance of libraries in the district. No funds have been withheld.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
20.8 COGTA Grant (Unconditional)(Management salaries)		
Balance unspent at beginning of year	-	-
Current year receipts	2 775 200	2 775 200
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(2 775 200)	(2 775 200)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities	-	-
	<u>-</u>	<u>-</u>

A grant was received from COGTA for the purpose of assisting the Municipality with payments of Managers salaries. No funds have been withheld.

20.9 COGTA Grant (Conditional) (Vehicles & Equipment)

Balance unspent at beginning of year	-	-
Current year receipts	1 123 000	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(1 123 000)	-
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
	<u>-</u>	<u>-</u>

A grant was received from COGTA for the purpose of assisting the Municipality with the purchase of Vehicles and Equipment necessary for service delivery. No funds have been withheld.

20.10 COGTA Grant (Conditional) (Water pumps)

Balance unspent at beginning of year	-	-
Current year receipts	1 111 000	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(158 945)	-
Conditions met - transferred to Revenue: Capital Expenses	(136 616)	-
Conditions still to be met - transferred to Liabilities (see Note 16)	815 439	-
	<u>-</u>	<u>-</u>

A grant was received from COGTA for the purpose of assisting the Municipality with the replacement of old and redundant water pumps necessary for service delivery. No funds have been withheld.

20.11 Grant to Centlec

Balance unspent at beginning of year	-	-
Current year receipts	6 038 596	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(6 038 596)	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
	<u>-</u>	<u>-</u>

This grant was utilised for the maintenance of roads in the jurisdiction area of the municipality. No funds have been withheld.

20.12 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2011), government grant funding is expected to increase over the forthcoming three financial years.

21 DONATIONS RECEIVED

Unconditional Contributions	802 434	-
Daycare centre donated	1 000 000	-
Total Public Contributions and Donations	1 802 434	-
	<u>-</u>	<u>-</u>

22 SERVICE CHARGES

Sale of Electricity	20 307 552	16 685 637
Sale of Water	10 056 118	8 588 844
Refuse Removal	4 770 882	4 221 848
Sewerage and Sanitation Charges	7 029 243	6 350 914
Total Service Charges	42 163 796	35 847 242
	<u>-</u>	<u>-</u>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
23 RENTAL OF FACILITIES AND EQUIPMENT		
Operating Lease Rental Revenue:		
- Investment Property	300 613	358 202
Rental Revenue from Buildings	20 484	25 478
Rental Revenue from Halls	13 579	8 570
Rental Revenue from Other Facilities	121 720	270 887
Total Rental of Facilities and Equipment	456 395	663 136

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

24 INTEREST EARNED

External Investments:

Bank Account	4 673	574
Investments	81 481	75 059
External Loans	-	-
Centlec Interest received	30 077	65 043
	116 230	140 677

Outstanding Debtors:

Outstanding Billing Debtors	298 460	273 209
	298 460	273 209

Total Interest Earned

414 691	413 886
----------------	----------------

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

Non-Current Investments	116 230	140 677
Loans and Receivables	298 460	273 209
	414 691	413 886

25 OTHER REVENUE

Building Plan Fees	1 269	2 350
Cemetery Fees	43 969	27 370
Centlec Sundry Income	-	108 674
Gravel Sales	-	208
Photostats	-	78
Pound Fees	80	1 171
Rates Certificates	102 408	10 944
Cattle additions	-	115 500
Sundry Income	1 557 982	300 876
Total Other Revenue	1 705 708	567 172

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 19 to 24, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
26 EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	27 249 899	23 887 813
Basic Salaries and Wages	27 161 574	23 555 769
Long Service Bonuses	-	135 461
Contribution to Leave Fund	88 325	196 583
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids Bonus fund	6 973 487	5 742 359
Medical	1 664 532	1 423 361
Pension	4 664 275	3 707 997
Bonus fund	19 000	27 108
Industrial Council Levy	18 052	34 627
Skills Development Levy	320 496	279 811
UIF	287 132	269 455
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	1 941 451	1 735 610
Allowances	1 941 451	1 735 610
Housing Benefits and Allowances	31 588	48 111
Overtime Payments	2 119 695	1 812 413
Annual Bonuses	2 170 637	1 937 165
Temporary Employees - Salaries and Wages	114 684	199 511
Total Employee Related Costs	40 601 441	35 362 981
No advances were made to employees.		
Remuneration of Section 57 Employees:		
<i>Remuneration of the Municipal Manager</i>		
Annual Remuneration	528 335	474 548
Performance Bonus	-	-
Travel Allowances	267 000	190 293
Company Contributions to UIF, Medical and Pension Funds	138 337	31 561
Other	6 997	55 058
Total	940 669	751 460
<i>Remuneration of the Chief Financial Officer</i>		
Annual Remuneration	532 072	365 445
Annual Bonus	-	-
Travel Allowances	180 000	135 000
Company Contributions to UIF, Medical and Pension Funds	21 012	14 578
Acting Allowance	-	28 753
Other	4 888	3 739
Total	737 972	547 515
<i>Remuneration of the Manager: Community Services</i>		
Annual Remuneration	257 072	-
Annual Bonus	21 476	-
Travel Allowances	60 000	-
Company Contributions to UIF, Medical and Pension Funds	75 183	-
Long service award	9 631	-
Other	3 447	-
Total	426 809	-
The post was vacant for the whole June 2012 financial year. No acting Allowance was paid during the full financial period year.		
<i>Remuneration of the Manager: Corporate Services</i>		
Annual Remuneration	396 817	309 765
Annual Bonus	-	-
Travel Allowances	150 000	112 500
Company Contributions to UIF, Medical and Pension Funds	97 321	66 648
Acting allowance	-	16 609
Other	5 203	3 922
Total	649 341	509 444

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
Remuneration of the Manager: Technical Services		
Annual Remuneration	546 068	383 580
Performance Bonus	-	-
Travel Allowances	-	-
Company Contributions to UIF, Medical and Pension Funds	98 812	70 167
Acting allowance	-	44 432
Other	5 130	3 585
Total	650 010	501 764

No compensation was payable to key management personnel in terms of IAS 19 as at 30 June.

27 REMUNERATION OF COUNCILLORS

Mayor - Ms AM Shasha	385 183	408 818
Chief Whip - RJ Thuhlo	162 676	125 025
Councillors	1 411 970	1 107 001
Company Contributions to UIF, Medical and Pension Funds	225 129	215 567
Medical Aid	36 453	51 995
Pension Fund	162 544	130 132
UIF	-	10 981
Skills Development Levy	26 132	22 459
Other Allowances (Cellular Phones, Housing, Transport, etc)	659 741	743 318
Housing Subsidy	147 176	47 746
Telephone Allowance	140 076	136 320
Travelling Allowance	372 489	559 252
Total Councillors' Remuneration	2 844 699	2 599 729

In-kind Benefits

The Councillor occupying the positions of Mayor/Speaker of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

The Mayor has use of a vehicle leased from the Government Garage for official duties.

28 DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	21 694 049	21 365 405
Total Depreciation and Amortisation	21 694 049	21 365 405

29 IMPAIRMENT LOSSES

29.1 Impairment Losses on Fixed Assets

Impairment Losses Recognised:	17 127	137 214
Property, Plant and Equipment	17 127	137 214
	17 127	137 214

29.2 Impairment Losses on Financial Assets

Impairment Losses Recognised:	5 311 380	30 973 200
Receivables from Exchange Transactions	4 136 637	24 376 093
Write-off of Indigent debtors	1 496 071	-
Receivables from Non-exchange Transactions	(321 328)	6 597 107
	5 311 380	30 973 200
Total Impairment Losses	5 328 507	31 110 414

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
30 FINANCE COSTS		
DBSA Loan	161 516	187 530
Creditors Overdue	339 042	201 397
Finance Leases	385 320	70 114
Landfill Provision	5 041 325	1 486 937
Bank overdraft	-	570
Finance costs incurred by Centlec	238 448	133 775
Total Interest Expense	<u>6 165 651</u>	<u>2 080 323</u>
Total Interest Paid on External Borrowings	<u>6 165 651</u>	<u>2 080 323</u>
31 BULK PURCHASES		
Electricity (Centlec)	18 119 395	14 212 147
Total Bulk Purchases	<u>18 119 395</u>	<u>14 212 147</u>
32 CONTRACTED SERVICES		
Professional Fees	5 397 389	5 229 465
Security Services	761 642	130 856
Valuation Services	-	59 539
Total Contracted Services	<u>6 159 031</u>	<u>5 419 859</u>
33 GRANTS AND SUBSIDIES PAID		
Free Basic Services	16 791 910	1 091 381
Sport Events	1 225	-
Total Grants and Subsidies	<u>16 793 135</u>	<u>1 091 381</u>

Free Basic Services are in respect of assistance to and providing basic service levels to indigent households.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
34 GENERAL EXPENSES		
Included in General Expenses are the following:		
Administration fees	1 650 492	-
Advertising	104 974	157 892
Audit Fees	1 935 005	1 597 457
Bank Charges	113 964	77 876
Cattle Feed	2 251	431
Cattle Consumption	17 400	92 250
Cattle Losses	15 630	113 340
Cattle Fair Value adjustment Loss	194 480	-
Centlec General Expenses	7 905 180	3 119 188
Centlec Service Expenses	13 414	1 662 106
Chemicals and Poison	2 669 482	2 092 087
Cleaning Material	48 508	99 945
Computer Software Licenses	61 748	192 868
Consumables	978 331	405 214
Entertainment	47 959	182 165
Fines & Penalties	1 253 589	94 808
Fuel & Oil	1 360 484	1 355 963
Insurance	502 740	432 314
Lease Charges	402 133	1 180 582
Legal Costs	718 538	353 638
Levies: SALGA	-	88 414
Magazines, books and periodicals	171 420	38 558
Medical Expenses	75 935	50 366
Motor vehicle expenses	39 377	20 917
Pauper burials	21 367	14 840
Postage and Courier	342 001	604 652
Printing & Stationary	1 276 503	552 926
Royalties and license fees	239 963	116 256
Software expenses	91 370	80 922
Special Programmes	501 435	301 826
Subscription Fees	310 740	341 630
Telephone Cost	1 745 558	1 705 360
Training Costs	310 277	668 174
Transport Costs	54 423	16 508
Travelling and Subsistence	2 757 286	2 759 353
Uniforms and Protective Clothing	408 394	173 531
Total General Expenses	28 342 351	20 744 353

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

34.1 Material Losses

Distribution Losses:
Electricity Losses

-	-
-	-

The amounts disclosed above for **Electricity and Water Losses** are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense.

No other extra-ordinary expenses were incurred.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

35 CHANGE IN ACCOUNTING POLICY

The municipality adopted the following Accounting Standards for the first time during the financial year 2012/2013 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1:

GRAP 104: FINANCIAL INSTRUMENTS

The municipality developed an Accounting Policy to fully comply with GRAP 104: Financial Instruments. Previously the municipality used the principles set out in IAS 39 to account for financial instruments. Management has evaluated the requirements of the Standard and it was found that the only adjustment to be made is to the classification of the Financial Assets (as illustrated below):

FINANCIAL ASSETS	Old Classification as per IAS 39	Classification per GRAP 104	Old Carrying Amount	New Carrying Amount
Trade and Other Receivables from Exchange Transactions	Loans and Receivables	Amortised cost	2 093 866.92	2 093 866.92
Trade and Other Receivables from Non-Exchange Transactions	Loans and Receivables	Amortised cost	785 369.85	785 369.85
Bank, Cash and Cash Equivalents	Loans and Receivables	Amortised cost	274 866.16	274 866.16
Non-current Investments	Loans and Receivables	Amortised cost	187 924.38	187 924.38

GRAP 24: PRESENTATION OF BUDGET INFORMATION IN THE FINANCIAL STATEMENTS

The municipality has developed Accounting Policies to fully comply with GRAP 24: Presentation of Budget Information in the Financial Statements. Previously the municipality used the principles set out in GRAP 1 to present budget information. GRAP 24 is to be applied prospectively. To fully comply with the requirements set out in this Standard, the municipality have included the following budget information:

- Budget Statement
- Appendix E1: Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)
- Appendix E2: Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

35.1 Reclassification of Accumulated Surplus

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

	Accumulated Surplus
Balance as published as at 30 June 2012	286 177 333
Change in accounting policy:	-
Correction of error:	
Electricity debtors	-191 122
OVK shares	33 278
Salary control account clearing	-2 031 692
Payables not recorded in prior period (Adjustments made through comparatives)	-272 313
Payables not recorded in prior period	32 468
WIP 2012 Opening balance	-4 624 130
Lease liability	-350 938
Bank & Cash opening balance	830 145
Impairment of Assets (Adjustments made through comparatives)	16 782
Depreciation on fixed assets (Adjustments made through comparatives)	-149 970
Fixed Assets opening balances	725 062
Biological Assets valuation (Adjustments made through comparatives)	123 800
Sundry Debtors	-64 365
Centlec Prior Period adjustment	1 551 171
Unknown Deposits	836 096
	(3 535 729)
Restated balance as at 30 June 2013	282 641 604

35.2 Reclassification of Revenue and Expenditure

The prior year figures of Revenue and Expenditure have been restated to correctly disclose the transactions incurred by the municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

	Revenue for the Year	Expenditure for the Year	Surplus for the Year
Total as per AFS previously published for 2011/12	120 257 072	137 297 606	(17 040 534)
Adjustment for Rates Rebates (Note 19)	(1 818 376)	(1 818 376)	-
Adjustment for Biological Assets Fair Value (Note 11)	59 570	(64 230)	123 800
Adjustment for Expenses relating to Payables (Note 14)	-	272 313	(272 313)
Adjustment for Changes in Depreciation (Note 8)	-	149 970	(149 970)
Adjustment for Changes in Impairments (Note 8)	-	(16 782)	16 782
Restated Total as per AFS currently disclosed for 2011/12	118 498 266	135 820 500	(17 322 234)

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013	2012
R	R

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
36 CORRECTION OF ERROR		
36.1 General Expenses and Accumulated Surplus		
The effect of the Change in General Expenses as follows:		General Expenses
Balances published as at 30 June 2012		20 795 542
Reversal of Fair value loss on Biological assets (Note 11)		(64 230)
Service expenses relating to Payables (Note 14)		462
Computer Software Licences relating to Payables (Note 14)		3 694
Printing & Stationary expenses relating to Payables (Note 14)		2 981
Royalties and License fees relating to Payables (Note 14)		5 905
Restated Balances as at 30 June 2012		20 744 353
GRAP 13 - Leases		
The Accounting Standard for <i>Leases</i> has been recognised in the Annual Financial Statements of the municipality as at 30 June 2010 in terms of GRAP 13. The full net liabilities have been recognised retrospectively in the Annual Financial Statements.		
The comparative amounts have been restated due to an additional lease contract identified. The effect of the error is as follows:		
36.2 Finance Lease Liabilities, and Accumulated Surplus		
The prior year figures of Finance Lease Liabilities and Accumulated Surplus have been restated to correctly disclose the monies held by the municipality in terms of GRAP 13.		
The effect of the Error is as follows:		Finance Lease Liabilities
Balances published as at 30 June 2012		650 326
Recognition of Current Portion (Through Accumulated surplus)		190 306
Recognition of Non-Current Portion (Through Accumulated surplus)		160 632
Restated Balances as at 30 June 2012		1 001 264
36.3 Property, Plant & Equipment Cost and Accumulated Surplus		
The effect of the Correction of Error is as follows:		Property, Plant and Equipment
Amount per AFS previously published for 2011/12		308 051 335
Work-in-progress 2012 opening balance restated		(4 624 130)
Fixed Assets (Movables) Opening balances		591 876
Restated Balances as at 30 June 2012		304 019 081
36.4 Reclassification of Creditors and Accumulated Surplus		
The prior year figures of Creditors have been restated to correctly classify the outstanding balance as at 30 June 2012.		
The effect of the Correction of Error is as follows:	Unknown Deposits	Creditors
Balances published as at 30 June 2012	1 041 707	16 068 867
Transactions incurred for the Year 2011/12		
Adjustment of Payables through accumulated surplus	(836 096)	1 999 224
Adjustment of Trade Payables through the income and expenditure statement		272 313
Adjustment of VAT input relating to Payables		39 960
Adjustment relating to Unknown deposits		(836 100)
Restated Balances as at 30 June 2012	205 611	17 544 264
36.5 Bank overdraft		
Balances published as at 30 June 2012		(3 915 357)
Uncleared entries not corrected in prior period		830 145
Restated Balances as at		(3 085 212)

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
36.6 VAT		
Balances published as at 30 June 2012		12 367 668
Adjustment to Accumulated Surplus through Payables		39 960
Restated Balances as at 30 June 2012		12 407 628
37 CHANGE IN ACCOUNTING ESTIMATES		
37.1 Depreciation Expenditure:		
The residual values, estimated useful lives and depreciation method were reviewed at 30 June 2013. Adjustments to the residual values and useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well. The adjustments are as follows:	21 694 049	21 365 405
Increase / (Decrease) in Depreciation of PPE	21 694 049	21 365 405
38 CASH GENERATED BY OPERATIONS	2013 R	2012 R
Surplus / (Deficit) for the Year	(1 992 459)	(17 040 532)
Prior Period Adjustments:		
Prior Period Adjustments:	-	-
Correction of Prior Year Errors		-
Depreciation and Amortisation	21 694 049	21 215 435
Impairment losses on Property, Plant and Equipment	17 127	153 995
Other Movements on Investment	(41 987)	(16 834)
Other Movements on Biological Assets	227 510	154 320
Loss on Disposal of PPE	382 505	131 102
Contribution to Provisions - Non-current	5 041 325	1 486 933
Centlec Operations		-
Operating surplus before working capital changes	25 328 070	6 084 419
Decrease/(Increase) in Inventories - Consumables	(38 743)	(114 926)
Decrease/(Increase) in Inventories - Erven held for transfer	-	-
Decrease/(Increase) in Consumer Debtors	(1 422 522)	5 024 482
Decrease/(Increase) in Other Debtors	(785 009)	4 126 220
Decrease/(Increase) in Sundry Debtors	(341 757)	(1 216)
Decrease/(Increase) in VAT Receivable	1 620 697	2 815 596
Increase/(Decrease) in Consumer Deposits	48 821	431
Increase/(Decrease) in Payables	3 842 422	(2 840 569)
Increase/(Decrease) in Conditional Grants and Receipts	6 521 684	(406 843)
Cash generated by / (utilised in) Operations	34 773 663	14 687 593
39 NON-CASH INVESTING AND FINANCING TRANSACTIONS		
The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2012/13 financial year.		
40 FINANCING FACILITIES		
The municipality did not have any Financing Facilities available at any time during the two financial years.		
41 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities (See Note 16)	11 156 761	12 510 861
Used to finance Property, Plant and Equipment - at cost	(11 156 761)	(12 510 861)
Sub-total	-	-
Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.		

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
42 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
42.1 Unauthorised Expenditure	2013 R	2012 R
Reconciliation of Unauthorised Expenditure:		
Opening balance	-	-
Unauthorised Expenditure current year	28 789 332	46 314 763
Approved by Council or condoned	(28 789 332)	(46 314 763)
Unauthorised Expenditure awaiting authorisation	-	-

Incident	Disciplinary Steps / Criminal Proceedings
<i>The unauthorised expenditure is based on the differences between budgeted amounts and actual expenditures. No incidents were noticed where payments were made by unauthorised personnel.</i>	N/A

42.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	2 064 183	2 051 029
Fruitless and Wasteful Expenditure current year	53 887	13 153
Condoned or written off by Council	-	-
To be recovered – contingent asset	-	-
Transfer to receivables for recovery	-	-
Fruitless and Wasteful Expenditure awaiting condonement	<u>2 118 069</u>	<u>2 064 183</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Fines and Penalties (8 Instances)</i>	<i>R 18 292</i>
<i>Interest on late accounts (36 Instances)</i>	<i>R 35 595</i>

42.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:		
Opening balance	96 632 348	84 453 269
Irregular Expenditure current year	2 204 095	12 179 079
Condoned or written off by Council	-	-
To be recovered – contingent asset (see Note 51)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Irregular Expenditure awaiting condonement	<u>98 836 443</u>	<u>96 632 348</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>No quotes (15 Incidents)</i>	<i>R 178 411</i>
<i>No deviation letter (7 Incidents)</i>	<i>R 226 276</i>
<i>Highest bidder used (2 Instances)</i>	<i>R 27 875</i>
<i>No Tax clearance certificate (27 Instances)</i>	<i>R 1 284 761</i>
<i>Overpayment on quote (1 Instance)</i>	<i>R 48 223</i>
<i>Only 1 quote obtained (1 Instance)</i>	<i>R 142 209</i>
<i>No declarations (16 Instances)</i>	<i>R 296 341</i>

43 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

43.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	406 000	88 414
Amount Paid - current year	(406 000)	(88 414)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

43.2 Audit Fees

Opening Balance	822 067	593 219
Current year Audit Fee	1 015 252	1 597 456
Amount Paid - current year	(998 165)	(775 389)
Amount Paid - previous years	(839 154)	(593 219)
Donations received towards Audit Fees	(802 434)	-
Balance Unpaid (included in Creditors)	<u>(802 434)</u>	<u>822 067</u>

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
43.3 VAT		
The net of VAT input payables and VAT output receivables are shown in Note 6. All VAT returns have been submitted by the due date throughout the year.		
43.4 PAYE, Skills Development Levy and UIF		
Opening Balance	1 595 432	1 262 642
Current year Payroll Deductions	4 241 074	3 717 963
Amount Paid - current year	(585 436)	(3 107 331)
Amount Paid - previous years	(610 632)	(277 842)
Penalties and interest	257 060	-
Offset to VAT receivable	(2 641 069)	-
Balance Unpaid (included in Payables)	2 256 430	1 595 432

The balance represents PAYE,SDL and UIF deducted from the payroll during the 2012/13 financial period.

43.5 Pension and Medical Aid Deductions		
Opening Balance	2 109 105	1 593 067
Current year Payroll Deductions and Council Contributions	7 481 360	4 144 829
Amount Paid - current year	(5 043 441)	(3 628 791)
Amount Paid - previous years	(531 403)	-
Interest accrual	273 512	-
Balance Unpaid (included in Payables)	4 289 133	2 109 105

The balance represents Pension and Medical Aid contributions deducted from employees and councillors payroll in the 2012/13 financial year's, as well as the municipality's contributions to these funds.

43.6 Councillor's arrear Consumer Accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at:

30 June 2013	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor Lekhula L	4 277	550	3 727
Councillor Letele MA	3 101	523	2 578
Councillor Thuhlo RJ	652	364	288
Councillor Majenge BS	203	110	93
Councillor Sehanka MJ	13 905	733	13 172
Councillor Shasha SD	14 807	706	14 101
Total Councillor Arrear Consumer Accounts	36 943	2 986	33 958
30 June 2013	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor Lekhula L	1 914	477	1 437
Councillor Letele MA	1 721	336	1 385
Councillor Thuhlo RJ	6 638	1 456	5 182
Councillor Majenge BS	3 161	466	2 695
Councillor Sehanka MJ	8 108	532	7 576
Councillor Riddle IS	2 503	420	2 083
Total Councillor Arrear Consumer Accounts	24 044	3 687	20 358

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
During the year the following Councillors had arrear accounts outstanding for more than 90 days:		
30 June 2013	Highest amount outstanding	Ageing
Councillor Lekhula L	3 727	> 90 Days
Councillor Letele MA	2 578	> 90 Days
Councillor Thuhlo RJ	288	> 90 Days
Councillor Majenge BS	93	> 90 Days
Councillor Sehanka MJ	13 172	> 90 Days
Councillor Shasha SD	14 101	> 90 Days

30 June 2013	Highest amount outstanding	Ageing
Councillor Lekhula L	1 437	> 90 Days
Councillor Letele MA	1 385	> 90 Days
Councillor Thuhlo RJ	5 182	> 90 Days
Councillor Majenge BS	2 695	> 90 Days
Councillor Sehanka MJ	7 576	> 90 Days
Councillor Riddle IS	2 083	> 90 Days

43.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

The municipality has developed a supply chain management policy which was only approved by Council in November 2011.
No known matters existed at reporting date.

		2013 R	2012 R
43.8 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA			
Material Electricity and Water Losses were as follows and are not recoverable:			
Electricity:			
Purchased during the year	units (kWh)		1 834 140 696
Sold during the year	units (kWh)		(1 630 393 374)
Unaccounted	units (kWh)	-	203 747 322
Normal distribution losses - % of electricity purchases	5.00% units (kWh)	-	(91 707 035)
Loss	units (kWh)	-	112 040 287
Loss %		0%	0.00%
Loss (R):		-	-

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

			2013 R	2012 R
<i>Calculated as follows :</i>				
	%	Lost Units	Tariff	Value
30 June 2013				
Total Electricity Losses	0.00%	0	0.00%	0
- Residential	0.00%	0	0%	-
- Business	0.00%	0	0%	-

30 June 2012				
Total Electricity Losses	100.00%	0	208.40%	0
- Residential	97.43%	0	95%	-
- Business	2.57%	0	114%	-

Electricity Losses occur due to *inter alia*, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

Water:

		Lost Units	Tariff	Value
30 June 2013				
	Unaccounted Water Losses	0	0.0000	-
30 June 2012				
	Unaccounted Water Losses	0	0.0000	-

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The municipality is currently busy with an audit of bulk meters to find faulty meters and repair them. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported. The Loss on water distribution can not be calculated due to the fact that there are no zonal meters to determine the kilo-litres distributed.

44 COMMITMENTS FOR EXPENDITURE

44.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure

15 091 309	41 625 069
15 091 309	41 625 069

- Approved but Not Yet Contracted for:-

Infrastructure

-	-
-	-

Total Capital Commitments

15 091 309	41 625 069
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This expenditure will be financed from:

Government Grants

15 091 309	41 625 069
15 091 309	41 625 069

44.2 Lease Commitments

Finance Lease Liabilities are disclosed in Note 16.

Non-cancellable Operating Lease Commitments are disclosed in Note 25.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
45 FINANCIAL INSTRUMENTS			
45.1 Classification			
FINANCIAL ASSETS:			
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:			
	<u>Financial Assets</u>	<u>Classification</u>	
Non-current Investments			
Investment in OVK Shares	Amortised cost	187 924	145 938
Receivables from Exchange Transactions			
Electricity	Amortised cost	666 640	52 518
Refuse	Amortised cost	26 512	65 620
Sewerage	Amortised cost	673 881	158 423
Water	Amortised cost	392 196	346 944
Sundry Debtors	Sundry Debtors	1 435 888	690 130
Other Receivables	Amortised cost	334 638	47 840
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	Amortised cost	785 370	360
Payments made in Advance	Amortised cost	-	404 000
Cash and Cash Equivalents			
Call Deposits	Fair value	273 686	271 207
Bank Balances	Fair value	10 287	16 209
Cash Floats and Advances	Fair value	1 180	1 180
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Non-current Investments	Shares in OVK	187 924	145 938
Receivables from Exchange Transactions	Electricity	666 640	52 518
Receivables from Exchange Transactions	Refuse	26 512	65 620
Receivables from Exchange Transactions	Sewerage	673 881	158 423
Receivables from Exchange Transactions	Water	392 196	346 944
Sundry Debtors	Sundry Debtors	1 435 888	690 130
Receivables from Exchange Transactions	Other Debtors	334 638	47 840
Receivables from Non-exchange Transactions	Assessment Rates Debtors	785 370	360
Receivables from Non-exchange Transactions	Payments made in Advance	-	404 000
		<u>4 503 049</u>	<u>1 911 774</u>
Financial Assets at Fair Value:			
Cash and Cash Equivalents	Call Deposits	273 686	271 207
Cash and Cash Equivalents	Bank Balances	10 287	16 209
Cash and Cash Equivalents	Cash Floats and Advances	1 180	1 180
		<u>285 153</u>	<u>288 595</u>
Total Financial Assets		<u>4 788 202</u>	<u>2 200 369</u>

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013	2012
		R	R
FINANCIAL LIABILITIES:			
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:			
	<u>Financial Liabilities</u>		<u>Classification</u>
Long-term Liabilities			
Finance Lease Liabilities	Amortised cost	1	682 808
Government Loans	Amortised cost	1 179 147	1 227 783
Other Loans	Amortised cost	1 105 150	1 214 262
Payables			
Trade Creditors	Amortised cost	8 054 180	8 782 273
Payments received in Advance	Fair value	1 205 087	586 245
Sundry Deposits	Amortised cost	801 114	205 611
Consumer Deposits	Fair value	213 657	164 837
Other Creditors	Amortised cost	119 770	100 571
Bank Overdraft			
Bank Overdraft	Fair value	374 609	3 085 214
Current Portion of Long-term Liabilities			
Finance Lease Liabilities	Amortised cost	151 878	318 456
Government Loans	Amortised cost	121 697	183 927
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Finance Lease Liabilities	1	682 808
Long-term Liabilities	Government Loans	1 179 147	1 227 783
Long-term Liabilities	Other Loans	1 105 150	1 214 262
Payables	Trade Creditors	8 054 180	8 782 273
Payables	Sundry Deposits	801 114	205 611
Payables	Other Creditors	119 770	100 571
Current Portion of Long-term Liabilities	Finance Lease Liabilities	151 878	318 456
Current Portion of Long-term Liabilities	Government Loans	121 697	183 927
		<u>11 532 936</u>	<u>12 715 691</u>
Financial Liabilities at Fair Value:			
Payables	Payments received in Advance	1 205 087	586 245
Consumer Deposits	Consumer deposits	213 657	164 837
Bank Overdraft	Bank Overdraft	374 609	3 085 214
		<u>1 793 354</u>	<u>3 836 296</u>
Total Financial Liabilities		<u>13 326 290</u>	<u>16 551 987</u>

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

45.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and Short-term Investments

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2013, as a result of the short-term maturity of these assets and liabilities.

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2013		30 June 2012	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Measured at Amortised Cost:				
	4 503 049	4 503 049	1 507 774	1 507 774
OVK Shares	187 924	187 924	145 938	145 938
Trade Receivables from Exchange Transactions	3 529 755	3 529 755	1 361 475	1 361 475
Trade Receivables from Non-exchange Transactions	785 370	785 370	360	360
Measured at Fair Value	285 153	285 153	692 595	692 595
Call Deposits	273 686	273 686	271 207	271 207
Payments made in advance	-	-	404 000	404 000
Bank Balances and Cash	11 467	11 467	17 389	17 389
Total Financial Assets	4 788 202	4 788 202	2 200 369	2 200 369
FINANCIAL LIABILITIES				
Measured at Amortised Cost:				
	11 532 936	11 532 936	12 715 691	12 715 691
Finance Lease Liabilities	1	1	682 808	682 808
Government Loans	1 179 147	1 179 147	1 227 783	1 227 783
Other Loans	1 105 150	1 105 150	1 214 262	1 214 262
Trade and Other Payables:				
- Creditors	8 975 063	8 975 063	9 088 455	9 088 455
- Current Portion of Long-term Liabilities	273 575	273 575	502 383	502 383
Measured at Fair Value	1 793 354	1 793 354	3 836 296	3 836 296
Payments Received in Advance	1 205 087	1 205 087	586 245	586 245
Consumer Deposits	213 657	213 657	164 837	164 837
Bank Overdraft	374 609	374 609	3 085 214	3 085 214
Total Financial Liabilities	13 326 290	13 326 290	16 551 987	16 551 987
Total Financial Instruments	(8 538 089)	(8 538 089)	(14 351 618)	(14 351 618)
Unrecognised Gain / (Loss)		-		-

The Financial Instruments of the municipality have been reclassified as disclosed in Note 35.3, Change in Accounting Policy.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R
2012
R

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2013

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
OVK Shares	-	187 924	-	187 924
Call Deposits	-	273 686	-	273 686
Bank Balances and Cash	-	11 467	-	11 467
Total Financial Assets	<u>-</u>	<u>473 077</u>	<u>-</u>	<u>473 077</u>
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Finance Lease Liabilities	-	1	-	1
Government Loans	-	1 179 147	-	1 179 147
Other Loans	-	1 105 150	-	1 105 150
Payments Received in Advance	-	1 205 087	-	1 205 087
Bank Overdraft	-	374 609	-	374 609
Total Financial Liabilities	<u>-</u>	<u>3 863 995</u>	<u>-</u>	<u>3 863 995</u>
Total Financial Instruments	<u>-</u>	<u>(3 390 918)</u>	<u>-</u>	<u>(3 390 918)</u>

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

			2013 R	2012 R
30 June 2012				
	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
OVK Shares	-	145 938	-	145 938
Call Deposits	-	271 207	-	271 207
Bank Balances and Cash	-	17 389	-	17 389
Total Financial Assets	-	434 533	-	434 533
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Finance Lease Liabilities	-	682 808	-	682 808
Government Loans	-	1 227 783	-	1 227 783
Other Loans	-	1 214 262	-	1 214 262
Payments Received in Advance	-	586 245	-	586 245
Bank Overdraft	-	3 085 214	-	3 085 214
Total Financial Liabilities	-	6 796 311	-	6 796 311
Total Financial Instruments	-	(6 361 778)	-	(6 361 778)

45.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 16, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 19 and the Statement of Changes in Net Assets.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 20 and the Statement of Changes in Net Assets.

Gearing Ratio

The debt-to-equity ratio, is reflected at 2,48%, decreasing to 0,95%. This low ratio is as a result of the Municipality not entering in a large number of Loans and making full use of Government Grants received.

	2013 R	2012 R
The gearing ratio at the year-end was as follows:		
Debt	2 932 482	6 712 449
Cash and Cash Equivalents	(11 467)	(17 389)
Net Debt	2 921 016	6 695 060
Equity	282 641 604	303 217 865
Net debt to equity ratio	1.03%	2.21%

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 16

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013	2012
R	R

45.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks
The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks

The Corporate Treasury function reports quarterly to the municipality's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

45.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 45.8 and 45.9 to the Annual Financial Statements.

45.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 45.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

45.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013	2012
R	R

45.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial Assets and Liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, other debtors, bank and cash balances.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The municipality had no floating rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

45.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013 **2012**
R **R**

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, except for Sasol who has large investments in the municipal area and does not pose any risk. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

	2013	2012
	R	R
Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:		
Investments	187 924	145 938
Long-term Receivables		
Consumer Debtors	67 350 460	48 189 971
Other Debtors	6 597 467	4 126 581
Bank, Cash and Cash Equivalents	(99 743)	(2 796 618)
Maximum Credit and Interest Risk Exposure	74 036 109	49 665 871

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

45 FINANCIAL INSTRUMENTS (Continued)

45.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2013								
Non-interest Bearing			21 386 685	21 386 685	-	-	-	-
- Creditors		0%	21 386 685	21 386 685	-	-	-	-
Variable Interest Rate Instruments			374 609	374 609	-	-	-	-
- Bank Overdraft		10%	374 609	374 609	-	-	-	-
Fixed Interest Rate Instruments			2 666 984	204 757	140 545	141 629	340 633	1 839 420
- Centlec Capital Loans			1 214 262	-	-	-	-	1 214 262
- Finance lease liability		10%	151 878	75 939	75 939	-	-	-
- DBSA		12%	1 300 844	128 818	64 606	141 629	340 633	625 158
			24 428 279	21 966 052	140 545	141 629	340 633	1 839 420
30 June 2012								
Non-interest Bearing			17 544 263	17 544 263	-	-	-	-
- Creditors		0%	17 544 263	17 544 263	-	-	-	-
Variable Interest Rate Instruments			3 085 214	3 085 214	-	-	-	-
- Bank Overdraft		10%	3 085 214	3 085 214	-	-	-	-
Fixed Interest Rate Instruments			3 627 236	260 327	249 615	1 044 356	542 322	1 530 616
- Centlec Capital Loans			1 214 262	-	-	-	-	1 214 262
- Finance lease liability		10%	1 001 264	159 228	159 228	682 808	-	-
- DBSA		12%	1 411 710	101 099	90 387	361 548	542 322	316 354
			24 256 713	20 889 804	249 615	1 044 356	542 322	1 530 616

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2013								
Non-interest Bearing			4 504 229	4 504 229	-	-	-	-
- OVK Shares			187 924	187 924	-	-	-	-
- Trade Receivables from Exchange Transactions			2 093 867	2 093 867	-	-	-	-
- Trade Receivables from Non-exchange Transactions			785 370	785 370	-	-	-	-
- Cash and Cash Equivalents			1 180	1 180	-	-	-	-
- Sundry Debtors			1 435 888	1 435 888	-	-	-	-
Variable Interest Rate Instruments			283 973	283 973	-	-	-	-
- Call Deposits		10%	273 686	273 686	-	-	-	-
- Bank Account		10%	10 287	10 287	-	-	-	-
			-					
			4 788 202	4 788 202	-	-	-	-
30 June 2012								
Non-interest Bearing			1 912 953	1 912 953	-	-	-	-
- OVK Shares			145 938	145 938	-	-	-	-
- Trade Receivables from Exchange Transactions			671 345	671 345	-	-	-	-
- Trade Receivables from Non-exchange Transactions			360	360	-	-	-	-
- Cash and Cash Equivalents			1 180	1 180	-	-	-	-
- Payments made in advance			404 000	404 000	-	-	-	-
- Sundry Debtors			690 130	690 130	-	-	-	-
Variable Interest Rate Instruments			287 416	287 416	-	-	-	-
- Call Deposits		10%	271 207	271 207	-	-	-	-
- Bank Account		10%	16 209	16 209	-	-	-	-
			2 200 369	2 200 369	-	-	-	-

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

45.9 Effective Interest Rates and Repricing Analysis

In accordance with IAS 32.67(a) and (b) the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2013

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	6		273 686	273 686	-	-	-	-
Bank Balances and Cash	6		(373 430)	(373 430)	-	-	-	-
Total Fixed Rate Instruments			(99 743)	(99 743)	-	-	-	-

30 June 2012

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	6		271 207	271 207	-	-	-	-
Bank Balances and Cash	6		(3 067 825)	(3 067 825)	-	-	-	-
Total Fixed Rate Instruments			(2 796 618)	(2 796 618)	-	-	-	-

45.10 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013	2012
R	R

46 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

Certain councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R4,6 million (2012: R3,7 million) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the investment reserve of the fund amounted to R0 (30 June 2011: R67,977) million, with a funding level of 99,4% (30 June 2011: 98,1%). The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R(7,980) (30 June 2011: R9 930,837) million, with funding levels of 99,9% and 108,0% (30 June 2011: 100,3% and 116,9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R1 483, 786 381 (30 June 2009: R1 341, 935 205) million. The contribution rate paid by the members (13,75%) and the municipalities (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

SALA Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R7 110,3 (30 June 2009: R6 303,7) million, with funding levels of 96,0% (30 June 2009: 96,0%). The contribution rate paid by the members (8,6%) and Council (20,78%) is sufficient to fund the benefits accruing from the fund in the future.

SAMWU Pension Fund:

No details could be provided for the fund and of any valuation performed.

The contribution rate paid by the members (7,50%) and Council (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013 **2012**
R **R**

47 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

47.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
Lekula L	Councillor	Lekhula Constructions
Backward ET	Councillor	Matlakeng Charcoal Project
Riddle IS	Councillor	EBRI Properties
Tsoamotse MN	Director (TS)	Moedi Trading & Reahlomela Construction
Nqoko LV	Director (CS)	Info Com Biz Center & Sabbath Business Consultancy
Nkosi JV	Official (CFO)	Cebisa Stationary and Supplies & Sbusiso Printing and Stationary
Panyani TC	Official (MM)	Uhlosi Trading, Uhlosi Guest House, PC Training and Business College & Platinum Campus

47.2 Services rendered to Related Parties

During the year the municipality rendered services to related parties that are related to the municipality in the form of Rates, Services and Sundry charges which is in the normal flow of business.

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel.

47.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans are receivable from Councillors, Management, Staff and Public.

47.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 26 and 27 respectively, to the Annual Financial Statements.

47.5 Purchases from Related Parties

The municipality did not buy goods from any companies which can be considered to be Related Parties.

Mohokare Local Municipality
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
	2013 R	2012 R
48 CONTINGENT LIABILITIES		
48.2 Court Proceedings:	12 720 395	3 423 455
(i) Unfair Dismissal Claim: Unfair Dismissal Claims has been issued against the Municipality. The claims are being handled by N.P. Vuyi Attorneys and Malherbe Saayman, Smith Attorneys. The possible losses regarding these cases amount to R150 000.	362 000	100 000
(ii) Dispute with SARS. A dispute with SARS existed at the financial year end. This relates to payroll taxes payable for the 2006 and 2007 financial year ends. SARS has since then offset the payable to VAT receivable.	-	2 250 477
(iii) Keoratile traffic solutions Dispute between Mohokare Municipality and Keoratile traffic solutions.	10 908 395	727 978
(iii) Professional services rendered Judgement taken against client for professional services rendered	-	270 000
(iv) Legal Services Legal services against the Municipality for services rendered	1 450 000	75 000

50 CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

49 IN-KIND DONATIONS AND ASSISTANCE

Refer to note 21 Relating to Donations and assistance received.

50 PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

51 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2013.

52 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 35) and Prior Period Errors (Note 36).

53 MANAGEMENT'S GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

(i) On 30 May 2012 the Council adopted the 2012/13 to 2015/16 Budget. This four-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted. The bank overdraft position of the Municipality at year end is due to the cashbook reconciliation being in overdraft while the actual bank account has a positive balance.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

APPENDIX A
Mohokare Local Municipality
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2012	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2013
CAPITAL LEASE LIABILITIES	R				R	R	R	R
Gestetner & Sharp	-	Prime		2014	1 001 264	-	849 386	151 878
Total Capital Lease Liabilities	-				1 001 264	-	849 386	151 878
GOVERNMENT LOANS								
DBSA Loan	2 730 000		1	2015	1 411 710	-	110 866	1 300 844
Total Government Loans	2 730 000				1 411 710	-	110 866	1 300 844
OTHER LOANS								
Centlec Capital Loan	1 214 262	0.00%	40021201 to 40027483	2024	1 214 262	-	-	1 214 262
Total Other Loans	1 214 262				1 214 262	-	-	1 214 262
TOTAL EXTERNAL LOANS	3 944 262				3 627 236	-	960 252	2 666 984

APPENDIX B
Mohokare Local Municipality
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment						Carrying
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Impairments	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings													
Housing	18 341 175	-	-	-	-	18 341 175	7 180 865	285 501	-	-	-	7 466 366	10 874 809
Operational buildings Total	24 483 577	-	-	-	-	24 483 577	17 643 524	718 558	-	-	-	18 362 082	6 121 495
	42 824 752	-	-	-	-	42 824 752	24 824 389	1 004 059	-	-	-	25 828 448	16 996 304
Infrastructure													
<i>Electricity:</i>													
Network	63 615 725	-	7 775 417	-	-	71 391 142	27 460 429	1 707 193	-	-	-	29 167 622	42 223 520
<i>Roads and Transport:</i>													
Roads & Stormwater	121 234 548	-	-	11 767 553	-	133 002 101	80 286 866	5 951 338	-	-	-	86 238 204	46 763 897
<i>Sanitation:</i>													
Sanitation network	130 873 296	-	13 993 897	-	-	144 867 193	81 919 100	3 222 739	-	-	-	85 141 839	59 725 354
<i>Water:</i>													
Supply network	135 950 096	-	36 138 918	-	-	172 089 014	82 536 187	4 432 876	-	-	-	86 969 063	85 119 951
	451 673 665	-	57 908 232	11 767 553	-	521 349 450	272 202 582	15 314 146	-	-	-	287 516 728	233 832 722
Community Assets													
Community facilities	54 617 584	1 000 000	-	-	-	55 617 584	32 462 434	2 042 415	-	-	-	34 504 849	21 112 734
Sport and Recreational Facilities	70 473 013	-	2 366 966	-	-	72 839 979	36 639 499	1 919 537	-	-	-	38 559 036	34 280 943
	125 090 597	1 000 000	2 366 966	-	-	128 457 563	69 101 933	3 961 952	-	-	-	73 063 885	55 393 677
Leased Assets													
Office furniture	1 291 611	-	-	-	-	1 291 611	953 534	183 439	-	-	-	1 136 973	154 638
	1 291 611	-	-	-	-	1 291 611	953 534	183 439	-	-	-	1 136 973	154 638
Other Assets													
<i>Emergency Equipment:</i>													
Emergency / rescue equipment	113 764	-	-	-	(8 126)	105 638	41 686	20 478	-	-	(5 485)	56 679	48 959
Fire fighting equipment / fire hoses	22 827	800	-	-	(1 424)	22 203	8 610	4 132	-	-	(702)	12 040	10 163
<i>Furniture and Fittings:</i>													
Tables & desks	470 474	345 999	-	-	(115 278)	701 194	220 519	99 461	-	11 824	(43 554)	288 251	412 944
Chairs and couches	951 549	285 845	-	-	(204 118)	1 033 276	592 518	139 961	-	1 180	(141 801)	591 859	441 417
Cabinets & cupboards	412 755	159 145	-	-	(34 948)	536 951	181 032	66 654	-	1 107	(19 967)	228 826	308 126
Other furniture and fittings	139 737	41 529	-	-	(10 549)	170 717	70 003	25 210	-	-	(6 899)	88 314	82 402
Shelving and bookcases	37 375	4 779	-	-	-	42 154	18 002	5 331	-	-	-	23 332	18 822
Headboards	656	-	-	-	-	656	443	118	-	-	-	561	95
<i>Motor Vehicles:</i>													
Trailers and accessories	360 700	120 000	-	-	(3 500)	477 200	95 171	15 551	-	-	(1 680)	109 041	368 159
Trucks, buses and ldv's	367 800	-	-	-	-	367 800	54 139	12 969	-	-	-	67 108	300 692
Tractors	622 250	865 000	-	-	-	1 487 250	90 846	22 870	-	-	-	113 716	1 373 534
Passenger vehicles	859 600	-	-	-	-	859 600	226 450	54 009	-	-	-	280 459	579 141
Farm Vehicles	85 500	-	-	-	-	85 500	12 312	2 736	-	-	-	15 048	70 452

APPENDIX B
Mohokare Local Municipality
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment						Carrying
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Impairments	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Office Equipment:</i>													
Domestic equipment	71 782	46 872	-	-	(23 945)	94 709	42 607	16 087	-	93	(12 005)	46 782	47 927
Computer hardware	1 357 336	367 444	-	-	(65 631)	1 659 149	544 322	337 153	-	2 923	(35 380)	849 018	810 131
Office machines	156 810	30 236	-	-	(23 520)	163 525	60 603	29 840	-	-	(12 288)	78 154	85 371
Office equipment - other	37 635	6 605	-	-	(12 189)	32 052	18 925	7 156	-	-	(8 192)	17 890	14 162
Audiovisual equipment	46 564	158 415	-	-	(11 180)	193 798	23 593	33 715	-	-	(8 484)	48 824	144 974
Air conditioners	77 824	1 158	-	-	-	78 982	37 120	14 842	-	-	-	51 962	27 019
Musical instruments	34 500	-	-	-	-	34 500	17 457	2 116	-	-	-	19 573	14 927
<i>Plant and Equipment:</i>													
Lawnmowers / gardening equipment	255 164	142 755	-	-	(37 600)	360 319	106 737	75 246	-	-	(18 612)	163 372	196 948
Plant and equipment - other	939 063	304 439	-	-	(316 412)	927 090	444 268	137 064	-	-	(183 053)	398 279	528 812
Workshop equipment and tools	38 416	159 666	-	-	(13 955)	184 127	18 940	31 281	-	-	(8 227)	41 994	142 133
Compressors	24 990	-	-	-	-	24 990	16 824	1 157	-	-	-	17 981	7 009
Radio equipment	9 682	-	-	-	-	9 682	6 535	1 743	-	-	-	8 278	1 404
Lab equipment	237 233	12 513	-	-	(11 740)	238 006	108 306	43 461	-	-	(5 283)	146 484	91 522
Generators	-	159 000	-	-	-	159 000	-	28 150	-	-	-	28 150	130 850
Law enforcement equipment	-	14 614	-	-	-	14 614	-	1 961	-	-	-	1 961	12 653
	7 731 985	3 226 814	-	-	(894 116)	10 064 683	3 057 967	1 230 452	-	17 127	(511 611)	3 793 935	6 270 747
Total	628 612 610	4 226 814	60 275 198	11 767 553	(894 116)	703 988 059	370 140 405	21 694 048	-	17 127	(511 611)	391 339 969	312 648 090

Mohokare Local Municipality
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment						Carrying
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers		Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R		R	R	R
Investment Properties													
Improved Properties	6 040 020	-	-	-	-	6 040 020	-	-	-	-	-	-	6 040 020
Unimproved Properties	14 479 185	-	-	-	-	14 479 185	-	-	-	-	-	-	14 479 185
	-	-	-	-	-	-	-	-	-	-	-	-	-
	20 519 205	-	-	-	-	20 519 205	-	-	-	-	-	-	20 519 205

Mohokare Local Municipality
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment						Carrying
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers		Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R		R	R	R
Intangible Assets													
Water Servitudes	360 760	-	-	-	-	360 760	-	-	-	-	-	-	360 760
Sanitation Servitudes	72 221	-	-	-	-	72 221	-	-	-	-	-	-	72 221
Electricity Servitudes	101 143	-	-	-	-	101 143	-	-	-	-	-	-	101 143
	534 124	-	-	-	-	534 124	-	-	-	-	-	-	534 124

APPENDIX C
Mohokare Local Municipality
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	792 337	334 692	-	-	(120 595)	1 006 435	404 665	132 787	-	(101 039)	436 414	570 021
Finance and Administration	24 500 036	-	-	-	(311 050)	29 668 610	19 365 531	1 420 341	-	(126 201)	20 659 670	9 008 939
Planning and Development	42 428	-	-	-	(6 779)	35 649	15 131	7 509	-	(3 352)	19 288	16 361
Health	1 199 588	-	-	-	-	1 199 588	794 054	37 919	-	-	831 974	367 614
Community and Social Services	49 004 162	1 050 718	-	-	(142 181)	49 912 700	29 893 007	2 018 323	-	(99 336)	31 811 994	18 100 706
Housing	18 392 714	13 023	-	-	(1 383)	18 404 355	7 204 088	295 800	-	(1 077)	7 498 811	10 905 543
Public Safety	309 619	14 614	-	-	(3 327)	320 906	108 432	44 493	-	(2 740)	150 185	170 720
Sport and Recreation	74 226 965	450	2 366 966	-	(7 295)	76 587 085	38 136 354	2 022 970	-	(4 924)	40 154 400	36 432 685
Environmental Protection	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	142 159 229	531 577	6 069 614	-	(282 821)	148 477 598	83 154 648	3 547 365	-	(160 911)	86 541 102	61 936 496
Roads and Transport	117 163 754	-	421 961	-	-	117 585 715	70 693 174	5 562 976	-	-	76 256 150	41 329 566
Water	159 544 909	2 596	13 342 629	-	(18 685)	172 871 449	82 758 238	4 486 158	-	(12 032)	87 232 364	85 639 085
Electricity	83 623 187	-	4 294 782	-	-	87 917 969	37 613 082	2 134 533	-	-	39 747 615	48 170 354
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total	670 958 929	1 947 671	26 495 951	-	(894 116)	703 988 058	370 140 404	21 711 176	-	(511 611)	391 339 968	312 648 090

APPENDIX D

Mohokare Local Municipality

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

2012 Actual Income	2012 Actual Expenditure	2012 Surplus/ (Deficit)	Description	2013 Actual Income	2013 Actual Expenditure	2013 Surplus/ (Deficit)
R	R	R		R	R	R
-	27 282 131	(27 282 131)	Executive and Council	1 576	8 030 799	(8 029 222)
932 529	8 297 111	(7 364 581)	Finance and Administration	62 566 805	52 997 712	9 569 093
-	884 119	(884 119)	Planning and Development	-	1 972 000	(1 972 000)
54 907	692 350	(637 443)	Community and Social Services	1 100 343	5 841 862	(4 741 519)
451 797	692 472	(240 674)	Housing	301 882	486 415	(184 533)
156 694	1 727 585	(1 570 891)	Public Safety	861 830	1 713 208	(851 378)
629	2 667 035	(2 666 407)	Sport and Recreation	203	1 353 246	(1 353 043)
-	(113 614)	113 614	Environmental Protection	-	108 618	(108 618)
9 521 845	13 432 988	(3 911 143)	Waste Management	13 173 120	29 971 036	(16 797 916)
2 564	8 398 166	(8 395 602)	Roads and Transport	4 070 761	3 537 200	533 561
19 826 475	18 714 962	1 111 513	Water	38 006 776	15 211 574	22 795 202
11 969 475	16 813 184	(4 843 709)	Electricity	28 387 198	29 904 857	(1 517 660)
75 581 350	36 332 012	39 249 338	Other - Reversal of capital items	(1 024 956)	(2 068 606)	1 043 650
118 498 266	135 820 500	(17 322 234)	Sub-Total	147 445 536	149 059 919	(1 614 383)
			Revenue Foregone			
118 498 266	135 820 500	(17 322 234)	Total	147 445 536	149 059 919	(1 614 383)

APPENDIX E(1)

Mohokare Local Municipality

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13 Actual	2012/13 Budget	2012/13 Variance	2012/13 Variance	Explanation of Significant Variances
REVENUE	R	R	R	%	
Property Rates	6 047 454	5 476 900	570 554	10.42	
Fines	59 316	111 830	(52 514)	(46.96)	Less fines issued than anticipated
Licences and Permits	-	210	(210)	(100.00)	Less licences/permits issued than anticipated
Government Grants and Subsidies	94 776 059	88 661 482	6 114 577	6.90	
Public Contributions and Donations	1 802 434	-	1 802 434	100.00	Public contributions and donations are not budgeted for
Service Charges	42 163 796	35 147 850	7 015 946	19.96	Some Electricity sales not budgeted for.
Rental of Facilities and Equipment	456 395	344 640	111 755	32.43	More rental of facilities than expected
Interest Earned - External investments	116 230	2 380	113 850	4 783.62	High interest earned on call accounts
Interest Earned - Outstanding debtors	298 460	254 310	44 150	17.36	Budgeted only for anticipated recoverable interest
Dividends Received	8 316	9 980	(1 664)	(16.67)	
Gain on Fair value adjustment	41 987	-	41 987	100.00	Fair value gains not budgeted for
Other Income	1 705 708	3 365 990	(1 660 282)	(49.33)	
Total Revenue	147 476 153	133 375 572	14 100 581	10.57	
EXPENDITURE					
Employee Related Costs	40 601 441	43 909 830	(3 308 389)	(7.53)	
Remuneration of Councillors	2 844 699	2 668 880	175 819	6.59	
Depreciation	21 694 049	21 000 000	694 049	3.30	
Impairment Losses	5 328 507	1 930 460	3 398 047	176.02	Impairment on receivables higher than expected
Repairs and Maintenance	3 037 847	6 941 090	(3 903 243)	(56.23)	Less repairs & Maintenance required than budgeted for
Interest Paid	6 165 651	248 230	5 917 421	2 383.85	Interest charge on Landfill sites provision not budgeted for
Bulk Purchases	18 119 395	17 525 500	593 895	3.39	Centlec purchases
Contracted Services	6 159 031	8 497 350	(2 338 319)	(27.52)	
Grants and Subsidies Paid	16 793 135	4 500 010	12 293 125	273.18	High increase in services provided to indigents
General Expenses	28 342 351	21 402 410	6 939 941	32.43	Centlec General expenses not budgeted for
Loss on disposal of Property, Plant and Equipment	382 505	-	382 505	100.00	Loss of building due to vandalism not expected
Total Expenditure	149 468 612	128 623 760	20 844 852	16.21	
NET SURPLUS / (DEFICIT) FOR THE YEAR	(1 992 459)	4 751 812	(6 744 271)	(141.93)	

APPENDIX E(1)

Mohokare Local Municipality

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13 Actual	2012/13 Budget	2012/13 Variance	2012/13 Variance	Explanation of Significant Variances
	R	R	R	%	

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 June 2012

Description	2011/12 Actual	2011/12 Budget	2011/12 Variance	2011/12 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Property Rates	5 412 839	6 846 144	(1 433 305)	(20.94)	
Fines	157 143	50 000	107 143	214.29	
Licences and Permits	439	1 000	(561)	(56.14)	
Government Grants and Subsidies	75 357 043	72 711 000	2 646 043	3.64	
Public Contributions and Donations	-	(28 052)	28 052	(100.00)	
Service Charges	35 847 242	7 067 104	28 780 138	407.24	
Rental of Facilities and Equipment	663 136	524 607	138 529	26.41	
Interest Earned - External investments	140 677	-	140 677	100.00	
Interest Earned - Outstanding debtors	273 209	253 192	20 017	7.91	
Dividends Received	2 962	7 626	(4 664)	(61.16)	
Gain on Fair value adjustment	76 404	-	76 404	100.00	
Other Income	567 172	663 971	(96 799)	(14.58)	
Total Revenue	118 498 266	88 096 593	30 401 673	34.51	
EXPENDITURE					
Employee Related Costs	35 362 981	36 972 010	(1 609 029)	(4.35)	
Remuneration of Councillors	2 599 729	2 601 389	(1 659)	(0.06)	
Depreciation	21 365 405	-	21 365 405	100.00	
Impairment Losses	31 110 414	1 595 310	29 515 104	1 850.12	
Repairs and Maintenance	1 702 805	2 614 348	(911 543)	(34.87)	
Interest Paid	2 080 323	77 497	2 002 826	2 584.39	
Bulk Purchases	14 212 147	1 425 809	12 786 338	896.78	
Contracted Services	5 419 859	5 121 890	297 969	5.82	
Grants and Subsidies Paid	1 091 381	1 417 410	(326 029)	(23.00)	
General Expenses	20 744 353	15 936 382	4 807 971	30.17	
Total Expenditure	135 820 500	67 762 044	68 058 456	100.44	
NET SURPLUS / (DEFICIT) FOR THE YEAR	(17 322 234)	20 334 549	(37 656 783)	(185.19)	

APPENDIX E(2)

Mohokare Local Municipality

ACTUAL VERSUS BUDGET (ACQUISITION OF CAPITAL ASSETS) FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13	2012/13	2012/13	2012/13	2012/13	2012/13	Explanation of Significant Variances greater than 5% versus Budget
	Actual	Under Construction	Total Additions	Budget	Variance	Variance	
	R	R	R	R	R	%	
Executive and Council	334 692	-	334 692	300 000	34 692	11.56	Budget is based on actual payments, additions are based on date of delivery
Community and Social Services	1 050 718	-	1 050 718	1 000 000	50 718	5.07	Budget is based on actual payments, additions are based on date of delivery
Housing	13 023	-	13 023	10 000	3 023	30.23	Budget is based on actual payments, additions are based on date of delivery
Public Safety	14 614	-	14 614	10 000	4 614	46.14	Budget is based on actual payments, additions are based on date of delivery
Sport and Recreation	450	2 366 966	2 367 416	2 000 000	367 416	18.37	Budget is based on actual payments, additions are based on date of delivery
Waste Management	531 577	8 492 069	9 023 646	9 000 000	23 646	0.26	Budget is based on actual payments, additions are based on date of delivery
Roads and Transport	-	421 961	421 961	400 000	21 961	5.49	Budget is based on actual payments, additions are based on date of delivery
Water	2 596	10 920 175	10 922 771	10 000 000	922 771	9.23	Budget is based on actual payments, additions are based on date of delivery
Electricity	-	4 294 782	4 294 782	2 000 000	2 294 782	114.74	Budget is based on actual payments, additions are based on date of delivery
Total	1 947 671	26 495 953	28 443 623	24 720 000	3 723 623	15.06	

ACTUAL VERSUS BUDGET (ACQUISITION OF CAPITAL ASSETS) FOR THE YEAR ENDED 30 JUNE 2012

Description	2011/12	2011/12	2011/12	2011/12	2011/12	2011/12	Explanation of Significant Variances greater than 5% versus Budget
	Actual	Under Construction	Total Additions	Budget	Variance	Variance	
	R	R	R	R	R	%	
Executive and Council	404 000	-	404 000	404 000	-	0.00	
Waste Management	-	8 124 886	8 124 886	9 616 947	(1 492 061)	(15.51)	
Roads and Transport	-	10 556 946	10 556 946	8 990 000	1 566 946	17.43	
Water	-	4 304 202	4 304 202	4 300 000	4 202	0.10	
Electricity	-	1 214 789	1 214 789	1 210 000	4 789	0.40	
Other	-	-	-	-	-	0.00	
Total	404 000	24 200 823	24 604 823	24 520 947	83 876	0.34	

APPENDIX F

Mohokare Local Municipality

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June		
Equitable Share	Nat Treasury	21 251 000	16 970 000	12 781 000	0	5 312 750	5 312 750	5 312 750	5 312 750	N/A	N/A	N/A	N/A	N/A	N/A
FMG	Nat Treasury	1 500 000	0	0	0	375 000	375 000	375 000	375 000	N/A	N/A	N/A	N/A	N/A	N/A
INEPG	Nat Treasury	1 000 000	1 000 000	0	0	800 000	96 051	1 103 949	0	N/A	N/A	N/A	N/A	N/A	N/A
MIG Projects	MIG	8 539 000	315 000	9 986 000	0	0	4 125 870	6 112 341	5 846 288	N/A	N/A	N/A	N/A	N/A	N/A
Bulk Infrastructure Grant	DWAF	1 599 707	1 410 313	7 495 766	5 089 101	0	4 122 212	4 783 867	3 210 074	N/A	N/A	N/A	N/A	N/A	N/A
MSIG	DPLG	800 000	0	0	0	200 000	200 000	200 000	200 000	N/A	N/A	N/A	N/A	N/A	N/A
EPW Incentive Grant	Province	400 000	300 000	300 000	0	319 342	680 658	0	0	N/A	N/A	N/A	N/A	N/A	N/A
COGTA Grants	COGTA	0	0	511 000	4 498 200	0	0	0	5 009 200	N/A	N/A	N/A	N/A	N/A	N/A
Total Grants and Subsidies Received		35 089 707	19 995 313	31 073 766	9 587 301	7 007 092	14 912 541	17 887 907	19 953 312	0	0	0	0		